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MANPOWER ADMINISTRATION

Unemployment Insurance —
It's 40 years old and living in a glass house

manpower
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A Message From the Secretary

With the dramatic upturn in unemployment levels in late 1974 and early 1975, the Nation's unemployment insurance (UI) system faced one of the sternest tests of its 40-year history. The Administration and Congress acted quickly to cope with these developments by providing needed temporary expansion in the UI system. By extending benefits for regular UI claimants and protecting 12 million workers who had not previously been covered, these improvements have substantially helped to buffer the effect of the economic downturn on the unemployed.

Unemployment benefits provide the means by which millions of jobless workers are able to maintain their households and families during hard times, and moreover, the program helps to sustain the economy. In 1974, some $6.6 billion in benefits were paid out and in 1975, it is estimated that nearly $19 billion will be expended. It is the Nation's first line of defense in dealing with unemployment.

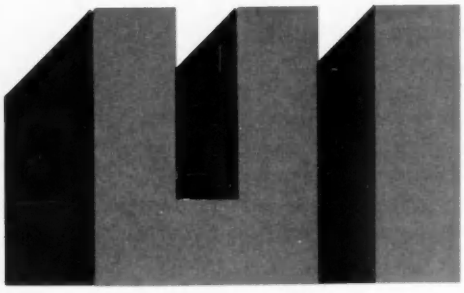
The year 1975 has become a most appropriate time for seeking a broad consensus of ways to strengthen the program. Changes are being considered in four specific aspects of the system: Coverage, financing, means of having levels of unemployment trigger changes in duration, and benefit standards. Recommendations for improvements in these areas are discussed in this issue of MANPOWER magazine.

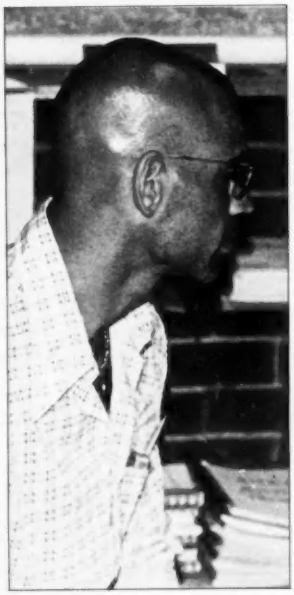
This Nation has long recognized its obligation to provide a measure of continuing and adequate protection against wage loss for those who have a close attachment to the labor force. These issues are deserving of careful consideration.

Over the past few months, I have spent some time observing the activities of local employment security offices in a number of States. I have witnessed the extraordinary workloads handled by State agencies as a result of the sudden rise in unemployment levels, and I have been impressed. The staff of these offices have performed a remarkable job, often working nights and weekends and under considerable pressure. They deserve the Nation's thanks for the job they have done.

The unemployment insurance system has served us well for 40 years. With the proper adjustments to meet the problems of today's unemployed, it should continue to serve both human and economic needs.

John T. Dunlop





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UI Issues

This year the unemployment insurance (UI) program observes its 40th anniversary. It approaches the $100 billion mark in wage replacement payments to the Nation's unemployed. It is a complex program that operates as a Federal-State partnership. It is one program, and yet it is also 52 programs in that worker protection varies somewhat in each of the States and jurisdictions that make up the total system. These differences provide some of the strengths. They also provide some of the weaknesses.

This issue of MANPOWER commemorates the 40th anniversary of UI by providing a forum for the discussion of those strengths and weaknesses. In the following articles, four individuals with outstanding credentials in the social insurance field express their views on some of UI's fundamental issues. Arnold R. Weber, a former Assistant Secretary of Labor and currently provost of Pittsburgh's Carnegie-Mellon University and dean of its Graduate School of Industrial Administration, writes on coverage. Paul J. Smith, Pennsylvania's Secretary of Labor and Industry, discusses benefit adequacy. Curtis P. Harding, administrator of Utah's Department of Employment Security, explores the issue of benefit duration. And William Haber, advisor to the executive officers at the University of Michigan, examines the financing of the UI system.

This forum seeks to contribute to the current discussion of the unemployment insurance system and ultimately to strengthen the performance of the system in providing a vital service to American workers.

Coverage

by Arnold R. Weber

The question of coverage is crucial to the effectiveness of any legal system, although the issues may be buried in technicalities and obscure statutory language. This relationship between coverage and effectiveness was sardonically stated by Anatole France, the eminent French novelist, when he observed that, "The law in all its majestic equality forbids the rich, as well as the poor, to sleep under bridges, to beg in the streets, and to steal bread."

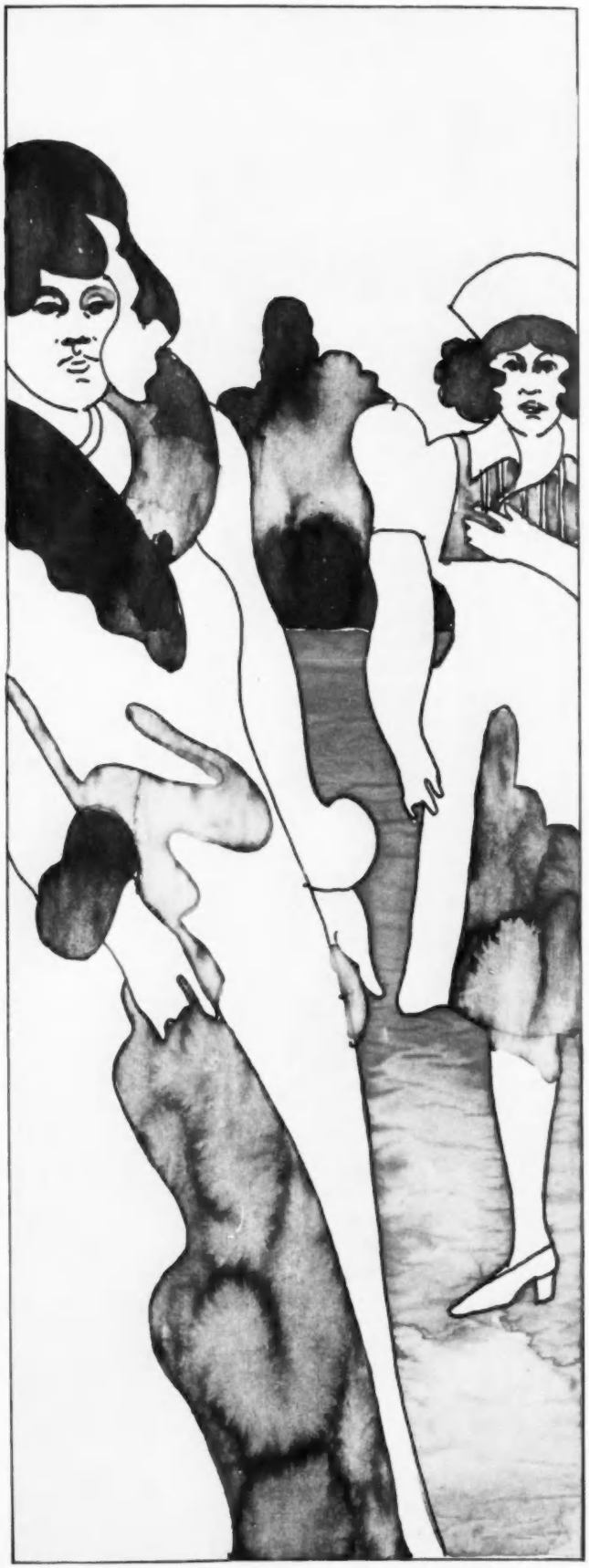
The coverage issue has been particularly important in the development of the unemployment insurance (UI) system in the United States. Only in this case, to paraphrase France, the problem has been to insure that the law does not protect only those who enjoy relatively favorable earnings and stability of employment.

Actually, the UI program has been characterized by broad coverage from its inception in 1935. The law has defined coverage with respect to certain categories of employers who must pay the Federal unemployment tax. The employee who works for an employer covered by State UI law accrues eligibility for benefits on the basis of weeks of employment or earnings, or some combination of both. The Federal statutes, in effect, set minimum standards for the State, but the State may, on its own initiative, expand coverage beyond these standards.

On this basis, the UI program initially provided for the coverage of most private employers who had eight or more workers. This formula translated into the immediate coverage of more than 75 percent of the total number of wage and salary employees in the labor force. If the purpose of the UI system was to provide income protection to all wage and salary workers subject to the risk of involuntary unemployment, then the program was off to a good start; coverage was less than universal, but the law cast a broad net over the labor force.

The exclusions from the system reflected a variety of technical and administrative considerations as well as legisla-

UI Issues



tive judgments concerning the necessity for income protection for particular categories of workers. It is also fair to assert that political forces frequently reinforced these factors.

Thus, "small" employers—those with fewer than eight employees—were exempted, presumably because of the administrative burden associated with recordkeeping and the collection of taxes. This consideration was strengthened by a political desire to insulate small businessmen or women from the additional costs of unemployment tax. This same combination of administrative, political, and economic reasons underlay the exclusion of agricultural workers and domestic service workers. The prospect of intruding the Federal presence on the farm or into the home had long been unpalatable to the Congress. Government employees were also kept out of the system because of legal questions and a presumption that the stability of government employment obviated the need for unemployment insurance. And nonprofit organizations were exempted on both fiscal and administrative grounds.

These exclusions paralleled limitations on the coverage of other protective legislation, such as the Wagner-Peyser Act and the other titles of the Social Security Act. They probably were necessary, if not merely politically prudent, to gain the passage of the original statutes. However, where many of these exemptions have been abolished in other social legislation, they have proved to be remarkably durable in the UI system. The reason probably lies in the fact that UI began as a Federal-State system and has continued on this basis. Because many States have been anxious to preserve their discretion and are sensitive to the possible impact of the tax on economic activity within individual States, they have often resisted the elaboration of Federal standards governing coverage and other program issues.

Against this background, UI coverage has gone forward slowly through a process of legislative infiltration. Although the small employer exemption was reduced to four employees in 1954, it was not until 1970 that a major expansion of coverage beyond the limits of the original program was achieved. Under the terms of the Employment Security Amendments of 1970, coverage was extended to employment (1) in commercial and industrial establishments that employ one or more workers in 20 weeks, (2) in agricultural processing, (3) in nonprofit organizations employing four or more workers in 20 weeks, (4) in State hospitals and institutions of higher education, and (5) performed as an agent driver or outside salesman.

With the passage of the 1970 amendments, approximately 12 million jobs still remain outside the UI system. The Ford Administration has under consideration new amendments that would include most of the important categories now excluded. Among these categories are large farms, private households, State elementary and secondary schools, and hospitals, colleges, and elementary and secondary schools operated by local governments.

The original definition of excluded categories of employment, even with the legislative amendments that followed, has been unsatisfactory in terms of both UI objectives and the need to build a sound, equitable system. First, it is clear that the exclusions have denied unemployment insurance to many low-income workers who have a continued attachment to the labor force. This is especially true for farm and domestic service workers. The economic needs of both groups have been recognized by their inclusion under the social security system. If the administrative problems of maintaining tax and earnings records have been overcome for this highly complex program of retirement and survivors' benefits, they should not be insuperable for the UI system.

Would Farmworker Coverage Cost Too Much?

Moreover, for many years, the exclusion of farmworkers has been justified by the contention that the cost of covering this group would be inordinate because of the sporadic nature of farm employment. To resolve this question, Congress prescribed a detailed study in the 1970 amendments. The study was completed and forwarded to Congress in 1973. The results demonstrate that if all agricultural employment were covered, the benefits attributable to this employment would be 3 percent of taxable agricultural wages, well within the fiscal tolerance of the system. The current proposal being considered by the Administration is even less burdensome, since it limits coverage to farmers who have four or more employees in 20 weeks. This approach would encompass only 7 percent of farm employers, but about two-thirds of total agricultural employment.

Second, the concern over fiscal considerations becomes somewhat ironic in the light of the congressional reaction to the high levels of unemployment registered in 1974 and 1975. That is, for reasons of equity and compassion, Congress has extended unemployment benefits to *all* excluded categories of workers on a temporary basis under the terms of the Special Unemployment Assistance Program. These benefits are financed from general funds rather than from trust funds generated by the unemployment tax. The effect of this approach is to erode significantly the insurance feature that is so important to the integrity of the system of unemployment benefits. It would be far more preferable to include all of these workers in the regular UI program, even though they may be "high cost" components. Every social insurance program has elements of income redistribution; whatever this redistribution would be under universal coverage, it would undoubtedly be less than it is when benefits are paid from general revenues provided primarily by income taxes.

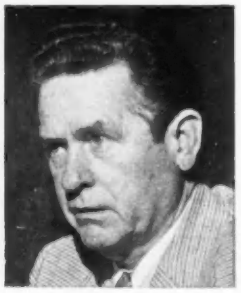
Third, the maintenance of broad exclusions under Federal law has helped to create inconsistencies, if not inequities, among the various State laws. For example, although most State employees are excluded under Federal standards, several States have extended coverage to their employees on their own initiative. Currently, 28 States go beyond the requirements of the 1970 amendments. Similarly, 24 States anticipated the modification of Federal standards by limiting the small business exemption to firms with only one employee.

While these steps might be applauded as evidence of the States' willingness to enlarge the principles of the Federal law, they raise other questions. As a matter of national policy, do we really want individual protection against loss of income caused by unemployment to vary on the basis of political subdvision? Are these differences in coverage still an important and needed aspect of "experimentation" within a Federal-State system after 40 years of such experimentation? A strong argument can be made that protection should be uniform for workers in similar circumstances and that four decades of experimentation have shown that the goal of comprehensive coverage is technically feasible and socially desirable.

Experience during the 1974-75 recession has vividly reaffirmed the key role played by unemployment insurance in the overall system of social security in the United States. It has also shown that involuntary unemployment and the associated loss of income can strike workers in every sector of the economy, including those who were believed to be insulated from the business cycle, such as government employees. We have come a long way since 1935 and it is now appropriate to close the last few gaps in the coverage of the program. The evolution of unemployment insurance indicates that comprehensive coverage will be achieved with the passage of time. But history also reveals that it is more desirable to take constructive steps sooner rather than later, or under the duress of immediate crises. □

UI Issues

Benefit Adequacy



by Paul J. Smith

By 1976, the unemployment insurance (UI) system will have paid over $100 *billion* to unemployed workers over a period of 40 years. Approximately one-third of that will have been paid to the unemployed during 1975 and 1976. In Pennsylvania, nearly $9 billion will have been paid, about 30 percent of it during 1975 and 1976.

The impact of these dollars on the economy is unquestionable. But what is the impact upon the individual?

The single-word answer would be: "Uneven." UI benefits have a significant impact in that they replace a part of lost wages and help to maintain spending power. But some workers are helped more than others, and there are unanswered questions as to the adequacy of weekly benefit levels. This article will explore some of the reasons why this is so and make a few recommendations for change.

As a starting point, it would be helpful to relate the function of unemployment insurance to the achievement of overall manpower objectives, such as a low level of unemployment and an available, relatively stable, highly skilled work force. Weekly benefits can be viewed from the standpoint of the unemployed wage earner as replacing some portion of lost wages and from the standpoint of the economy as keeping dollars in circulation and preventing further unemployment. However, the way in which these dollars are spent by the unemployed and the adequacy of benefits have very special implications for the labor force itself.

Consider the following: John or Mary Doe, unemployed, use their respective UI benefits to finance the cost of the work search. They buy gas for their car, pay for bus fare, purchase lunch away from home, and hire a babysitter while they look for work. Inadequate benefits diminish the effectiveness of the search for work, possibly lengthening the period of unemployment.

John and Mary Doe also have certain levels of skill. To have a real opportunity to get jobs at their highest skills and thereby maintain these skills, they must be able to make a reasonably adequate search for work. If benefits are inadequate, they cannot afford to remain unemployed that little bit longer it might take to seek and find work that uses their highest skills.

Some contend the availability of unemployment insurance provides a disincentive to finding new employment. The argument would have more merit if there was evidence of any impact the availability of benefits has on the duration of unemployment of midlevel or high-level skilled workers who receive nowhere near 50 percent of their normal wage while unemployed. Little such evidence exists. Evidence does exist, however, to indicate that the availability of *adequate* weekly UI benefits can have a favorable influence on reducing the duration of unemployment and on maintaining the skill level of the work force. Inadequate weekly benefits can have the reverse effect.

Reasons for Benefit Variations

Some of the factors that influence the level of weekly benefits should be considered. Because the operations of the program are governed by State laws, benefit levels vary from State to State. The program seeks to replace half of the weekly wages an individual would normally receive, but presently it does so for less than half of those who receive benefits. The principal reason for this is that all States have established a maximum weekly benefit amount. This concept exists to avoid payment of very high weekly benefits to a small number of high-salaried claimants, to avoid tampering with individual incentive to work, and to maintain the solvency of the UI fund.

Most of these maximums are unrealistically low. The actual range in maximums for regular benefits is from $60 a week in Mississippi to $127 a week in the District of Columbia. In Pennsylvania, the maximum weekly benefit amount for 1975 is $111, and it is estimated that it will be $126 in 1976. (In addition to the basic weekly benefit amount, Pennsylvania pays dependents' allowances—$5 for the first dependent and $3 for the second, for a total of $8.) However, in 27 States the maximum weekly amount the unemployed worker can receive is $80 or less. In 18 States benefit maximums range from $81 to $99. In only seven States can the worker receive as much as $100 or more per week, although if dependents' allowances are included (11 States have them), 14 States pay a maximum of $100 or more a week.

Benefit maximums tend to be higher in the industrialized

Northeast and in Great Lakes States and lower in the Central States and the South. However, it is not an inflexible pattern. The maximum is higher in West Virginia ($107) than in New York ($95). As the foregoing indicates, if you are going to be unemployed, it is better to be unemployed in some geographical areas than in others.

States establish these maximum levels either by relating the maximum to the State's average weekly wage in covered employment or by setting a fixed amount that can be changed only by legislative action. In general, the States using the legislatively fixed maximums tend to lag behind the States with maximums that change as the average weekly wage changes.

Of the 22 States using fixed maximums, 10 have maximums ranging from 33 to 49 percent of the State's average weekly wage, 10 range from 50 to 59 percent, and 2 achieve 61 percent of the average weekly wage. Of the 30 States that use flexible maximums (District of Columbia and Puerto Rico included), no State pays less than 50 percent of the State's average weekly wage, 15 States pay from 50 to 59 percent, and 15 pay 60 percent or more. Ten of the last group have passed legislation allowing payment of at least $66^2/_3$ percent.

Another measure of benefit adequacy is how soon an unemployed worker receives the first unemployment compensation check after loss of work. Pennsylvania amended its unemployment compensation law on June 6, 1975, and joined eight other States in eliminating the 1-week waiting period. The others are Alabama, Connecticut, Delaware, Kentucky, Maryland, Michigan, Nevada, and New Hampshire. In 10 additional States, benefits are paid for the 1-week waiting period after certain periods of covered unemployment. The rest of the States require a 1-week waiting period for which there is no compensation.

States Urged to Adopt Maximum Benefits

For the past several years, the Federal Government has advocated that benefit adequacy would be improved if all States adopted a maximum benefit amount that was at least $66^2/_3$ percent of the State's average weekly wage. When the average weekly wage rose, the maximum would automatically rise. A maximum of $66^2/_3$ percent would allow about four/fifths of insured workers to receive 50 percent of their normal wage when unemployed.

In congressional hearings earlier this year, Frank J. Walsh, president of the Interstate Conference of Employment Security Agencies, stated that unless changes are made to provide adequate benefits, other programs will fill the need and the result "could be destruction of a coherent system for unemployment compensation." He indicated that his own State of Wisconsin and other States sought improvement by setting the maximum at $66^2/_3$ percent of the statewide average weekly wage.

Organized labor favors a still higher level of benefits to a larger number of insured workers. The AFL-CIO General Board earlier this year advocated a benefit maximum for an individual claimant of 75 percent of a State's average weekly wage, with a goal of providing that individual claimant up to $66^2/_3$ percent of the wage received during employment.

For the time being, the level at which benefits become adequate to the unemployed individual continues to be a legislative judgment rather than one based on actual empiri-

UI Issues

cal data. The currently accepted 50-percent level of wage replacement is basically a subjective judgment that the wage earner's expenses that cannot be deferred can be met by half his normal salary.

A 1971 study by the W. E. Upjohn Institute for Employment Research focused on methodology for definitive research in this area and provided a method for evaluating benefit formulas in terms of household financial information. During the next 30 months, the U.S. Department of Labor will study benefit adequacy, using much of that methodology.

In the past 5 years, Federal legislation has resulted in several significant gains in the UI program. The number of workers protected has been increased, a permanent program of extended benefits has been established, and limited improvements have been made in the financing of the program.

To date, however, there has been no Federal legislation concerning benefits standards. This may change as a result of the current emphasis to attune the program to present-day needs, and it should change. Legislative action by individual States with no prod or inducement from the Federal Government is inevitably slow, as evidenced by the fact that the States were first requested in 1969 to work toward a benefit level of $66^2/_3$ percent.

At that time, Hawaii was the only State that met the $66^2/_3$-percent criterion; today, 10 States meet it. While this is undeniable progress, the *rate* of progress has been such that it will take two or more decades for the remainder of the States to reach the desired goal. The slow pace is less a result of failure to recognize that maximum benefit levels are inadequate than it is of the tortoise-like nature of the legislative process, which must reconcile divergent views before taking any atction.

The area of benefit adequacy needs immediate attention. Additional research is essential, but it can only give further support to the need for action. An appropriate solution would seem to require tying the maximum benefit level to the State's average weekly wage so that legislative improvements in benefit adequacy in one year will not be lost through general wage level increases the next year. A $66^2/_3$-percent relationship is a starting point.

Establishment of a Federal standard would be a means of obtaining action reasonably soon. The most effective means of motivating States to provide adequate unemployment compensation benefits would be an amendment to the Federal Unemployment Tax Act (FUTA) that increases the taxable wage base to at least $6,000, with an escalator clause tying the wage base to the average annual wage in covered employment. It takes money to pay benefits. The States need this kind of support from their Federal partner in the UI system in order to get legislation proving benefit adequacy.

Amending FUTA to raise the taxable wage base is the only effective way to provide the funds for paying adequate benefits. Individual State legislatures resist taking the initiative in amending unemployment compensation acts to raise the State taxable wage base for fear that their own selective tax increases might drive industries and jobs out of their States. Each State now has a commerce department with industrial development experts searching and researching every possible means of maximizing the advantages of the State's business position vis-à-vis its neighbors.

Should Employers Finance Programs?

Because of the length and severity of the current recession, serious questions may be raised as to whether the employer community should continue to bear total responsibility for financing the Federal-State unemployment compensation program. At present, the States depend entirely upon employer UI taxes for funds to pay for the first 26 weeks of benefits and one-half of the benefits during the next 13 weeks. Federal unemployment taxes, also paid by employers, are used to pay the other half of the cost of these 13 weeks, as well as the entire cost of any succeeding weeks under the Federal Supplemental Benefit Program.

There are a number of changes that can be made. Federal general revenues should be provided to reimburse State unemployment compensation funds for all benefit payments for weeks beyond the 26th week of unemployment. Full Federal financing should be triggered whenever the Nation's insured unemployment rate reaches 4 percent for a 13-week period. Furthermore, since leading economists are accepting a 5-percent rate of unemployment as normal and a 6-percent rate as an acceptable economic fact of life, this new dimension must be considered in planning the future of the Nation's UI system in terms of benefit adequacy, duration, and financing.

As a final argument for immediate attention to benefit adequacy, let me cite the fact that the poverty level for a nonfarm family of three is currently an annual income of $3,410. The national average weekly UI benefit amount is $65. This allows a living standard comparable to that available from a $3,380 annual wage.

The Nation can and should do better than that. □

Benefit Duration

by Curtis P. Harding

How long should an unemployed worker receive benefits under the unemployment insurance (UI) system? This question plagued the early UI administrators and even today remains an unresolved problem. The ideal answer is of course "long enough." Long enough so that most workers will have found employment before their benefits run out. But "long enough" varies with each claimant and with differing economic conditions. So the problem of duration of benefits remains with us.

The problem is inherent in the system which is financed by payroll taxes paid by employers and in the philosophy underlying the system. It is a generally accepted principle that UI benefits should be paid only to individuals available and looking for jobs. A second basic principle is that employer responsibility for unemployed workers does not cover all unemployment at all times, but only when there is a reasonable expectation that a worker will return to the same occupation or industry where he was initially employed. Yet in times of severe recession employers find that they are financing benefits for workers who may not return to their employ, or who may not return to work at all.

How then do we determine how long benefits should be paid, who should pay them, and what adjustments should be made for differing economic conditions?

A proposal that would continue the basic philosophy of employer financial responsibility yet free him from the burden of financing extraordinarily high unemployment involves a three-tier system of income maintenance. The first and second tiers are similar to parts of the present UI system, but they would provide for a maximum benefit duration of 39 weeks—longer than in the present system, but about the most that can be reasonably expected through an employer-financed UI program. The third tier would have a broader scope than comparable parts of the present system. The tiers include:

Tier One: Regular UI Benefits. These should be available to an eligible claimant at all times and up to a maximum of 26 weeks. Financing would be by and through State trust funds supported by employer contributions.

Tier Two: Long-Term UI Benefits. These should also be available to an eligible claimant at all times and should continue beyond 26 weeks up to a maximum of 39 weeks. The amount of time in the base year during which a claimant must work in order to qualify for these benefits should be greater than in the present UI system. Benefits would be determined under a variable duration formula, with financing to be 50 percent from the State trust funds and 50 percent from Federal Unemployment Tax Act (FUTA) funds, also employer-supported.

Tier Three: Unemployment Allowances. These should be available during periods of high unemployment, providing assistance to workers unemployed through no fault of their own who have exhausted or are not eligible for UI benefits. These allowances would be provided to States when they reach individually specified high unemployment rates. They would be financed entirely from Federal general revenue and provided according to a separate system of qualifying requirements, benefit amounts, and duration provisions.

There should, of course, still be improvements in efforts to get claimants back to work—for the short-term unemployed, instruction in making an effective job search, for example; and for long-term unemployed, such things as training and relocation programs.

Laws Vary From State to State

Basically, the U.S. unemployment insurance system is made up of various State UI laws. These laws are as different from one another as the States themselves—and as alike as is required by the Social Security Act of 1935, which brought the system into being.

State duration provisions now look like this: Eight States have uniform duration provisions (all eligible claimants get the same duration); of these, six have durations of 26 weeks, one has a duration of 20 weeks, and one a duration of 30 weeks. All other States have variable duration provisions based on length of employment and/or base period earnings. Most States have minimum durations of at least 10 weeks and maximum durations of 26 weeks. Nine States have maximum durations over 26 weeks, and of these, three have maximums over 30 weeks.

In one important respect, the UI system is more than the combined whole of State UI laws. UI programs for veterans and Federal workers, programs designed to compensate for

special types of unemployment, and the extended-benefit payment program—all financed totally or partially by Federal general revenue—are now significant parts of the system. In the latter program, those who have used up their benefit entitlement are automatically granted additional benefits. Through special legislation, Congress has provided continuation of benefits for longer and longer periods in the hope that they will be sufficient to carry most unemployed workers through the present recession.

However, the fact that in the last few years Congress has had to add one patch here and another there emphasizes the need to update UI duration provisions. What is needed is a system that is ready and able to adequately meet the needs of workers when they became unemployed.

Duration Issues Have Not Been Ignored

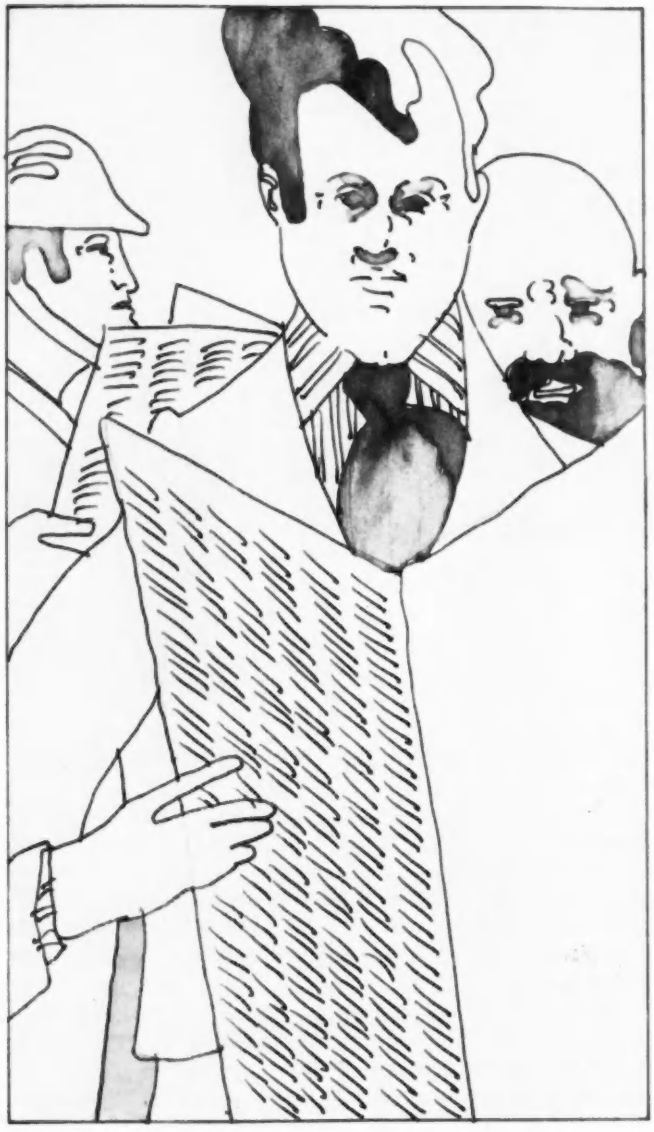
It is not inferred here that the problem of benefit duration has been ignored—far from it. There has been and continues to be a real effort to meet the needs of the long-term unemployed—for instance, the provision of increased benefits during times of high unemployment. But this provision has been made according to a trigger concept whereby both a specific high national unemployment rate and a high State unemployment rate must be reached in order for benefit durations to be extended. This concept, while needed and serving a worthwhile purpose, is becoming obsolete.

A good trigger is not too difficult to design if one accepts the fact that some results will be less than desirable. Employment and unemployment follow no set pattern. The economy can be expanding in one geographical, industrial, or occupational area and contracting in another.

Extending benefits according to the present trigger concept, however, does not sufficiently recognize particular State problems. A small State, for instance, may reach the trigger level for States while a large State with a greater number of severely affected unemployed persons may not. Even provisions for individual State triggers may fail to recognize pockets of especially severe unemployment.

Another concern is that under the present trigger concept, those experiencing "normal" unemployment are entitled to the same extended benefit rights as those experiencing more severe unemployment. It would seem more prudent to concentrate on providing increased help to individuals where the gravest problems exist.

If one is to consider the feasibility of the three-tier system outlined, cost estimates would be helpful. However, they are hard to come by, since there would likely be considerable variance in the differing State provisions adopted.



The best estimate—and this pertains only to tier two—comes from a study made by the 1974 Interstate Conference of Employment Security Agencies' Unemployment Insurance Committee. This committee asked nine State UI agencies how much their costs would increase if they paid regular benefits up to 39 weeks, with weeks 27 through 39 financed 50 percent from FUTA funds. The study revealed a wide variation in cost, ranging from almost none to an increase of 35 to 40 percent. Average cost increases were:

	Percent Increase	
	Minimum	*Maximum*
Total	14	17
State share	8	10
Federal share	6	7

During 40 years of UI experience, much has been tried and much learned. Laws have changed as State and Federal legislative bodies have responded to public demands for more effectively meeting the unemployment problems of workers, communities, States, and the Nation. If there is continued responsiveness, there will be continued improvement. □

Financing Benefits

by William Haber

The American unemployment insurance (UI) system, born in 1935 with the passage of the Social Security Act, came into being during the greatest depression in our country's history. By the time the system became fully operative in all States, however, unemployment levels were already on the wane, soon to be drastically lowered by World War II. Thus, for all practical purposes, the system escaped testing in the Great Depression. The tests it later endured, in 1949, 1954, 1958, 1961, and 1971, while serious enough, were the milder tests of relatively short-lived recessions.

In 1975, however, 40 years after its birth, the UI system is operating in the midst of the most serious economic decline since the Great Depression. Every postwar recession, in a sense, tested the capacity of the system to meet its objective. At no time, however, have the demands upon it been greater and the tests more severe than they are now. Administration projections indicate that total unemployment will average over 8.7 percent this calendar year and about 8 percent next year. Longer range projections are that it may be well into the 1980's before an annual unemployment rate as low as 4 percent is achieved.

UI Must Prepare for Next Decade

The UI system now and for the next decade needs, therefore, to be geared to handle unemployment levels persistently higher than previous long-term averages. Our basic system is centered on State UI law coverage. Of the 68 million civilian jobs covered by UI, 64.7 million are covered under State laws. Railroad workers and Federal workers make up the rest, the former covered under a separate system and the latter covered by Federal law but paid through the State system. Twelve million jobs are not covered by the basic UI system, although the Special Unemployment Assistance Program, enacted late in 1974, temporarily protects workers in those jobs. For the most part they are farmworkers, household workers, and State and local government employees. It seems reasonable to expect that coverage of most of these workers, if not all of them, will soon be incorporated into the basic UI system.

A second aspect of the UI system that clearly seems to be undergoing changes is the benefit duration provisions. The original State UI laws provided durations of 12 to 16 weeks, on the advice of actuaries who concluded that a 3-percent tax on total covered wages could not support longer durations. As experience revealed that longer durations were needed and that they could be supported at fairly low tax levels, States increased their duration maximums. At present, all State-level programs—with the exception of the Puerto Rican program—have maximum regular benefit durations of at least 26 weeks. After some State experimentation starting in the late 1950's and two temporary Federal enactments in 1958 and 1961, the 1970 Employment Security Amendments inaugurated a Federal-State Extended Benefit Program providing as many as 13 additional weeks of benefits during periods of high unemployment. In 1971, a temporary Federal program added another potential 13 weeks. In 1974, the Federal Supplemental Benefit Program added yet another 13 weeks; it was augmented earlier this year. Regular, extended, and Federal supplemental benefits now provide a potential benefit duration of 65 weeks.

Tax Rate Has Remained Low

The estimated annual cost of these combined programs in 1975 and 1976 is about $18 billion, a little less than 3 percent of total covered wages. This tax rate hardly differs from that originally assumed in the 1930's to be necessary for support of a UI program. Of course, annual UI costs are a great deal more than they were. But since 1942, the average State employer tax rate has been less than 2 percent of total wages. Since 1946, it has been less than 1.5 percent and from 1967 to 1973, it was less than 1 percent.

The weekly benefit amount is a third major aspect of the UI system where significant changes are underway. Ten years ago, in two-thirds of the States, the maximum weekly benefit was less than half the State average weekly wage. In 1975, only 10 States have maximum weekly benefits that are so low. In 1965, only one State—Hawaii—had a maximum weekly benefit that was two-thirds of the State's average weekly wage. By now, a dozen States have legislated such a maximum rate.

A federally mandated maximum weekly benefit of at least $66^{2}/_{3}$ percent of the State average weekly wage has long

been a controversial proposal that employer groups have vigorously opposed. Nonetheless, in 1973 such a standard was proposed by President Nixon, and in 1975, the President of the Interstate Conference of Employment Security Agencies testified before a congressional committee that most State administrators support such a Federal standard.

Clearly, the winds of change for UI programs are blowing strong. Their direction is clear—expanded coverage, increased regular benefit duration, increased weekly benefit maximums.

How Should Program Be Financed?

What is not clear, but of permanent importance if these changes and even the UI system itself are to remain viable, is how the program is to be financed. Historically, the system has relied on employer payroll taxes, Federal and State, for its revenues. Originally, total wages were taxable. Since 1939, however, the Federal taxable wage base has been a fixed dollar figure. Until 1972, covered employers paid a Federal unemployment tax based on the first $3,000 of annual wages paid to each worker. In 1972, this was increased to $4,200.

With few exceptions, the State tax bases have been the same as the Federal. State unemployment funds have paid for regular benefits and half the cost of Federal-State extended benefits. Federal unemployment tax revenues have been used to provide grants to the States to meet their costs of employment security administration, to pay the remaining half of the cost of Federal-State extended benefits, and to support a loan fund. Based on taxable wages, the Federal unemployment tax rate is 0.5 percent and the expected 1975 average State tax rate is about 2.1 percent.

Since the taxable wage base is fixed and wages continue to rise, each year the UI system taxes a smaller percentage of covered wages. In 1972, when the $4,200 taxable wage base became effective, it reached 52 percent of total covered wages. In 1975, it is 48 percent of total wages. Next year, it is expected to be less than 47 percent.

Estimated Federal costs for 1975 through 1984, which cover administrative grants and Federal-State extended benefits, are about $28 billion. For the same period, the present combination of the Federal tax base and tax rates would, it is estimated, yield only about $18 billion in revenues. To raise the needed $28 billion while keeping the same tax base, the Federal tax rate would have to be increased from 0.5 percent to about 0.9 percent. An even greater increase will be needed if Federal unemployment tax revenues are ultimately required to pay the costs of the Federal Supplemental Benefit Program, costs that are presently being met through advances from general revenues.

On December 31, 1974, State unemployment fund reserves totaled about $10.5 billion. It is estimated that State tax collections for 1975 and 1976, plus interest on reserves, will add another $13.1 billion, making a total available for the payment of benefits of about $23.6 billion. However, the estimated outgo of regular benefits and the State share of Federal-State extended benefits amount to $13.2 billion for 1975 and $12.9 billion for 1976, making a total for the 2 years of $26.1 billion—a shortfall of $2.5 billion.

The figures are aggregates. Individual State funds will, of course, be affected differently. Already, however, eight States have borrowed over $600 million from the Federal loan fund and four more anticipate borrowing in 1975. In 1976, an additional 16 States estimate that they may have to borrow from the loan fund. The total anticipated borrowings would exceed $4 billion. As of June 1975, the Federal loan fund was depleted and a supplemental appropriation being enacted by the Congress would provide the fund with an advance from general revenue for fiscal year 1976.

Several Changes Are Needed

To restore the UI system to fiscal health will, at a minimum, require careful consideration and vigorous action in the following areas:

Increased UI revenues. The cost estimates already cited make plain that a substantial increase is needed in both Federal and State UI revenues if the system is to be reestablished as financially self-sufficient. The basic question is whether to rely on an increase in the taxable wage base or on an increase in the tax rate. On this score, the Federal legislative decision is crucial. If the Federal tax base is left unchanged, most States will not raise their tax bases for fear of the competition from other States. In that case, the States will have to rely solely on increased tax rates, which are likely to be quite high. For low-wage industries whose total payrolls approximate their taxable payrolls, very high tax rates can have a punitive effect.

On the other hand, if the Federal tax base is increased, all States will in effect be required to raise their tax bases correspondingly.

Before the 1970 Employment Security Amendments, the Federal financial obligation in the UI system was almost entirely administrative and unrelated to State benefit levels. The 1970 legislation established a Federal obligation to meet

half the costs of Federal-State extended benefits. As a result, Federal UI costs are now directly affected by State benefit levels. An increasing majority of States have flexible maximum weekly benefits that automatically increase each year as the State's average weekly wage rises. In order to assure that revenues are adequate to respond to these automatic increases, taxable wage bases should be similarly geared to the average wage level. A few States have already turned in this direction.

If the national average annual wage in covered employment (rounded to the next highest $1,000) were established as the Federal tax base, it would assure an end to erosion of the present tax base and help to correct the distortion of the rating system based on employer experience.

A moratorium on State repayment of loans. By the end of 1976, as already indicated, States may owe more than $4 billion that they will have borrowed to pay unemployment benefits. The Federal law that authorizes such advances requires States to repay them in 2 years. After that, and as long as the loans remain outstanding, the State's employers' Federal tax rate is increased by an additional 0.3 percent each year until the loan is repaid. The tax increases are applied toward payment of the State's outstanding indebtedness. Two bills are already pending in the Congress to increase the 2-year repayment period to 5 years. Such a step seems highly desirable. However, provisions are needed to make the additional grace period available to debtor States only if they demonstrate, by establishing adequately high tax schedules, that they are in fact using the postponement period to rebuild their funds.

Pooling excess costs. The suddenness and severity of the current unemployment, coming so soon after the high benefit costs of the 1971-72 recession, hit State unemployment funds very hard. The unemployment levels that some States are now experiencing so far exceed prior levels in these States that the question is raised as to whether there should be a national pooling of excess benefit costs. Essentially this involves setting a limit on the level of benefit costs that a State should be required to finance. For example, States could be federally reimbursed for two-thirds of the cost of benefits that exceed 2 percent of the State's total covered wages. Such a provision would help to define the extent of State financial liability and thus assure continued State solvency.

If these issues receive prompt and thoughtful deliberation, future prospects for the UI system in the United States should be greatly improved. □

Growing up in rural western Pennsylvania during the 1950's, I became very familiar with a ritual called "signing up." During those days, my father worked in a succession of soft coal mines that were frequently closed for a few days or weeks because of floods or cave-ins or broken machinery. The same mines shut down permanently when their limited black treasure was gone.

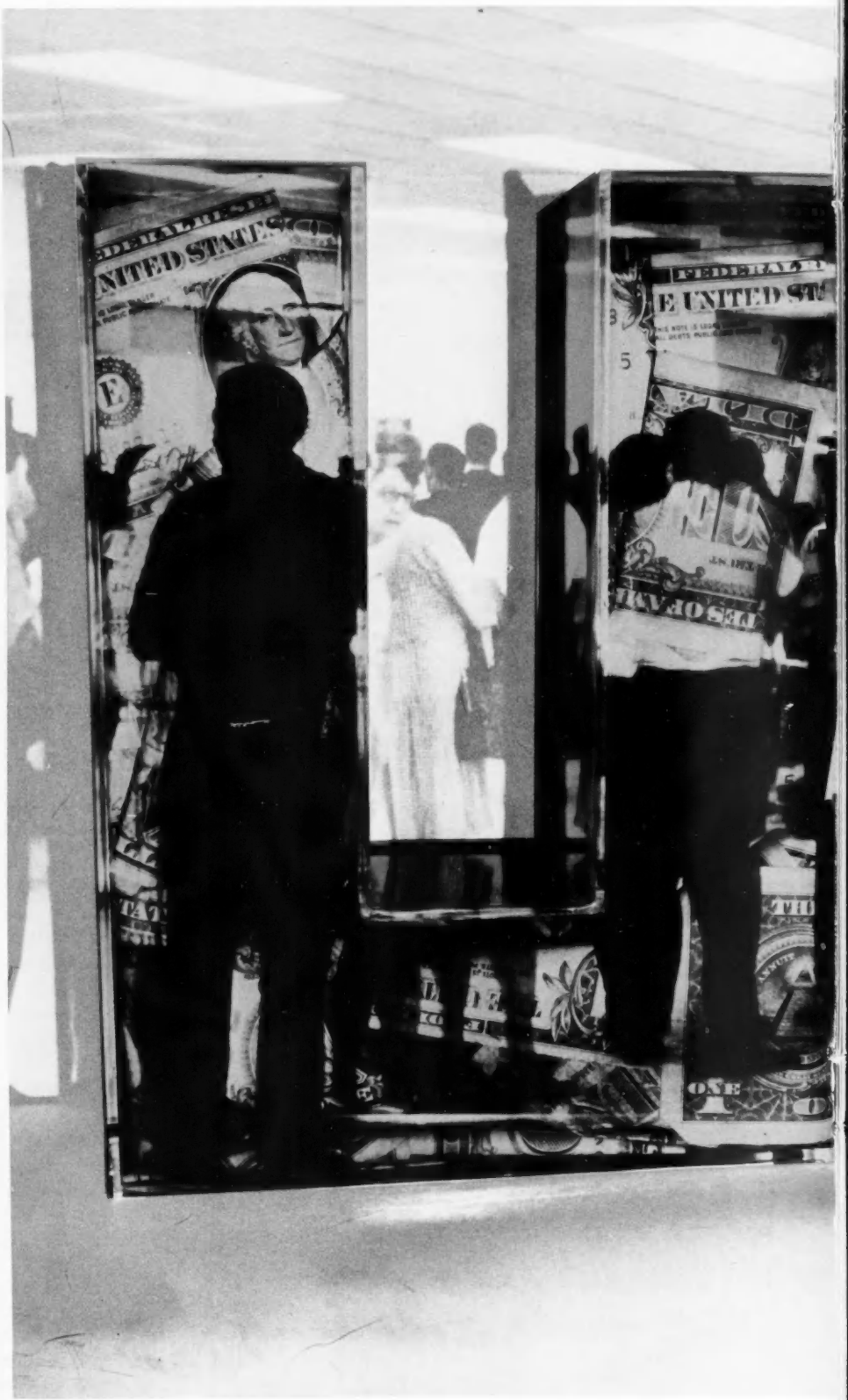
When the layoffs came, the boss would tell my father, "Go stake a claim." Daddy would then get into his dark green 1950 Dodge–the car he used for about 15 years and still owns with the vague hope that it will someday run again—and drive some 20 miles to the little town of Philipsburg. There he would seek out the State employment service office, a tiny, red-brick building marked with the keystone-shaped sign symbolizing Pennsylvania's government.

My father would wait in a line made up mostly of men whose work clothes and calloused hands marked them as blue-collar workers. They would fill out the forms and talk to the counselor about the few jobs available in that economically stagnant area. When they were finished, a few of the men might slip into a nearby cafe for a quick beer before going home to idleness.

A few weeks later, we would receive the "unemployment check" that bought the next week's groceries or paid the light bill or bought school clothes for my brother, my sister, and me. Those checks also paid for the gas needed for other trips to Philipsburg, trips that became the focal points of those weeks when the family's routine, budget, and hopes were disturbed by the insecurities of joblessness.

The process of "signing up" and the receipt of benefit checks are the parts of the unemployment insurance system that most American workers know best. But these parts of the program are only fragments of the enormously complex system that has tided my family and millions of other families over times of temporary unemployment during the past 40 years.

Gloria Stevenson



Labor Dept. photo by Ann Meekins

Behind the Lines: Managing UI

by Gloria Stevenson

During the past 40 years, the unemployment insurance (UI) program has become a mammoth operation. Some 68 million workers—nearly three-fourths of the Nation's entire work force—are covered by the program, and these men and women work for about 3.9 million employers. The UI program is administered by 40,000 Federal and State employees, enough to form a city about the size of Santa Fe, N. Mex., or Elmira, N.Y., or Grand Forks, N. Dak.

UI operations are especially large this year because of the current unemployment situation. It is expected that 16 million workers will become eligible for benefits some time during 1975 and that these beneficiaries will receive a total of about 226 million benefit checks, more than the number that would be needed to give one to every man, woman, and child in the country. Benefits are expected to total $20 billion.

Besides being massive, the UI program is massively complex. It resembles a gigantic family with one parent, 52 middle-aged children, and thousands of grownup grandchildren. The parent is the Federal Government, which gave birth to the program through the Social Security Act of 1935. The Federal Government oversees the operation, keeps national tallies of UI activities, evaluates State operations, and, when necessary, helps the States improve their performance. It also disburses to the States funds to cover administrative costs of the UI program. These funds come from employer payroll taxes collected by the Internal Revenue Service.

The States, plus the District of Columbia and Puerto Rico, have enacted their own unemployment insurance laws and set up 52 systems for implementing them. UI agencies in each State collect employer payroll taxes that finance benefit payments to workers covered by State law. Each State agency also keeps records of its own activities and coordinates a network of local employment service and unemployment insurance offices. These offices—over 2,700 of them across the Nation—are the agencies that come into direct contact with jobless workers.

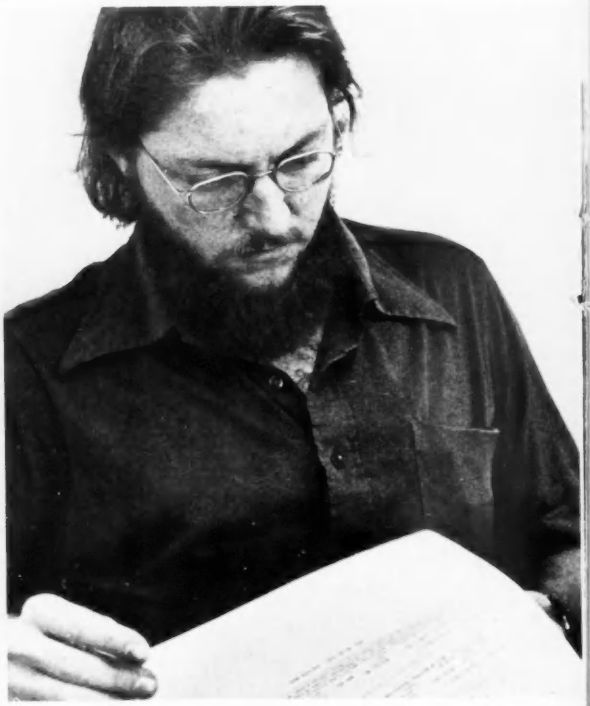
The States work independently but must cooperate to provide benefits to workers who live in one State but work in another or who move out of their home States after losing their jobs. (In

Gloria Stevenson is assistant editor of MANPOWER.

Behind the Lines

Labor Dept. photos by Harrison Allen

Jeff Cassidy, an unemployed recreation worker from Alexandria,Va. gets the facts about signup procedures from unemployment claims interviewer John Bell and then fills out necessary forms.



George Popelarski studies a printout of Job Bank listings at the Alexandria office of the Virginia Employment Commission. The listings are updated daily by computer.

Wesley Caison, manager of the Alexandria, Va. unemployment claims office, and clerk Barbara Cole look over the office's file of active UI claims. The office now processes about 7,000 active claims, a record high and more than twice the previous peak reached after the Korean War. Slightly more than 300 initial claims are filed at the office weekly.

Assistant office manager Catherine Kay interviews claimant Conway Jeffers. On the desk is a viewer that job applicants can use to read microfiche copies of Job Bank listings.

Robert Green (top) and Kevin Rusnak are among those filing new claims at the Alexandria office.

such cases, benefits are paid by the State where the worker was employed.)

Simply operating a program this large and intricate is a major undertaking. Attempting to see that it operates correctly, promptly, and at the most effective costs is an even more formidable goal. This, however, is the aim of the Manpower Administration's Unemployment Insurance Service (UIS), the Federal unit charged with managing the overall program.

The UIS sets policy for the program and allocates administrative funds. It sets performance goals for the States—a current goal, for example, is to have 86 percent of all eligible applicants receive their first benefit check within 2 weeks of applying for benefits to cover their first eligible week of joblessness—and evaluates State performance. The UIS also provides technical assistance aimed at helping the States improve their operations.

To perform these roles, the UIS and the States have developed a variety of management tools and techniques suited to the scale and organization of the UI program. Recent management innovations have included the development of a cost model management system and the design of new Federal technical assistance programs aimed at helping the States streamline UI operations.

Until very recently, each State appraised its own management system, and the UIS had no comprehensive way to compare one State's performance against that of another or to isolate specific organizational or procedural bottlenecks within a State's operations. Yet, the UIS has long known that State programs differ considerably.

Administrative costs and the length of time required to perform similar activities vary widely from State to State. In 1971, for example, the average number of minutes required to take a worker's initial claim for benefits ranged from less than half an hour in the State where costs were lowest to more than an hour and a half in the one where expenses were highest. Some of the variations in cost stem from geographic and demographic conditions beyond the State agencies' control, but until recently, the UIS did not know exactly how much of a State's UI expenditure was determined by such factors. Moreover, the quality of services also varies sharply from State to State, and quality is not always directly related to costs or to the amount of time spent on individual activities.

The UIS began to develop a comprehensive system for analyzing the cost and effectiveness of State UI programs in fiscal year 1972. The first step in this process was an onsite study of activities in each State, with the studies being made by teams of Federal and State UI employees.

The teams divided each agency's operations into specific tasks and measured man-hour expenditures for each task performed. Total time expenditures by all employees in the State central UI administrative offices were recorded, and operations in a representative sample of local UI offices were also in-

Behind the Lines

Jobless men and women wait to sign up for UI benefits at the Alexandria office of the Virginia Employment Commission.

cluded in the measurement. Work sampling techniques were used to determine employees' idle time and time spent on personal activities. Quality and performance level—efficiency and timeliness in distributing checks and accuracy in computing benefits, for example—were also measured.

The onsite studies yielded detailed information about the time required for State agencies to perform about 200 different activities. These findings were categorized and coded so that they would be as directly comparable as possible between State agencies. Thus, it became possible to compare the time needed to process an initial claim in, say, Pennsylvania and Colorado, even though the systems for processing those claims may vary significantly.

The data concerning time expenditures were organized into a cost model for each State agency. The model indicates legislative requirements, management practices, staff size, and organization for the State's program. It also reflects the State's workload and geographic and demographic factors—a large rural population, for example—which may affect operations.

In the next phase of the cost model project, the UIS compared the individual State cost models in order to identify the systems and procedures that appear to be most efficient in terms of both performance and cost. The comparisons took into account factors outside each State's control. For example, data from sparsely populated, relatively mountainous States were compared in order to see what types of procedures worked best in such areas.

Action plans describing the most effective organizational structures and procedures were then prepared for each State. These plans describe in detail the results of the data analyses and comparisons and make specific recommendations for improvement. State agencies using the recommended systems are listed so that other States can contact them for firsthand information. The action plans rank each State against other States using similar UI systems in order to show comparative time expenditures, costs, and performance. The plans also set target costs for each major UI activity.

The action plans, which include an average of about 50 recommended program changes for each State, were presented to all States in October 1974. To date, over 55 percent of the recommendations have been put into effect and another 29 percent have been accepted but have not yet been implemented. Only 16 percent of the recommendations have been rejected outright.

Improvements Are Expected

The UIS expects that the implementation of these recommendations will result in substantial cost savings as well as more prompt and efficient service. The action plans are also providing a better basis for allocating administrative funds to State UI agencies.

Until the last half of fiscal year 1973, funds for UI program administration were allocated to the States on the basis of prior experience. In other words, the amount spent one year by a State agency was used as the basis for deciding how much it would receive the next year. Now that cost models have been prepared for all States and compared, however, allocations are made primarily on the basis of the cost and performance data they contain.

The UIS has adopted the cost model management system as its primary tool for achieving overall program improvements and is using it to replace a wide range of fragmented management techniques. The States are using cost model data to improve their own capability for evaluating activities, planning program changes, and making staff and budget decisions.

To keep the data from the cost model analyses up to date, each State's operation will be restudied every 3 years. The first restudies are scheduled to begin in a third of the States later this year.

While the cost model management system was being developed, other efforts were being undertaken to help the States streamline UI activities that involve much routine, time-consuming, and costly paperwork. Such procedures include accepting and reviewing UI applications, determining whether applicants are eligible for benefits, computing and collecting payroll taxes from employers, computing weekly benefits for the jobless, sending out checks, keeping records, and making reports.

UI managers aim to develop computer programs that can speed up these activities, improve their accuracy and cost-effectiveness, and promote higher productivity among State UI employees. A major part of this work is being done at the Unemployment Insurance Systems Design Center in Baton Rouge, La.

Set up in 1972, this center is administered by the Louisiana Department of Employment Security under an agreement between UIS and the State of Louisiana. Researchers and designers at the center are attempting to develop computer programs that can be used in all the States with only minor modifications. These prototype programs will cover all feasible areas of UI operations and will be provided to State UI agencies at no direct cost.

To date, the Design Center's major efforts have been in the field of tax accounting. A totally computerized sys-

UI claimants Wilfred Williams and Debra Lee lost their jobs when the 2-year educational TV project on which they were working came to an end.

tem for figuring taxes, processing payments, and maintaining employer accounts has been put into effect in Louisiana, and the prototype that can be used in all States will be based on this system.

The computerized tax system eliminates much of the manual effort now needed to figure taxes, record employer payments, maintain employers' wage records, and identify employers who are late in paying their taxes. The system keeps computerized accounts of tax collections and permits checks to be deposited within an average of 2 days after payments are received. Using the system, Louisiana has been able to record employer taxes and establish a list of delinquent employers within 8 or 9 working days, far less time than most States require.

The computerized tax system also keeps running accounts that enable tax rate computations to be made overnight. Such computations generally take much longer because so much information is needed to determine tax rates. For example, most States compute taxes on the basis of employers' layoff records; employers with frequent layoffs pay higher tax rates than employers who seldom lay off workers. Under standard procedures, retrieving such information so that computations can be made is extremely time-consuming.

The computerized tax accounting system also automatically keeps records of wages and taxes paid by employers for a 15-quarter period, provides printouts detailing all account delinquencies, completes fully computerized quarterly reports 3 to 4 weeks before they are due to the UIS, and offers other record-keeping services.

The Unemployment Insurance Systems Design Center is now installing the computerized tax system in the District of Columbia and completion is expected by November. Several States are planning to install the system or portions of the system—which was developed in modules so States can use part or all of it—before the beginning of fiscal year 1977.

States Adopt Tax System

The Design Center has also been working with the UIS to develop a program for detecting and preventing improper payments of unemployment benefits (benefit payment control). Although most claimants are honest, some abuse is bound to occur in a system as massive as the UI program. In order to prevent and detect such abuse, States assign personnel to work solely on benefit payment control, and State laws provide administrative and criminal penalties for persons found to have fraudulently obtained benefits. During calendar year 1974, for example, States levied over 99,000 administrative penalties and recommended almost 11,000 cases for criminal prosecution.

The UIS is continually working to help States strengthen and improve their benefit payment control programs, and the current project is a step in this direction. A program package, to be available later this year, will contain recommendations on improved methods for detecting and recovering improper payments and will include a completely computerized system for post-auditing all unemployment claims. The Design Center will provide assistance to States choosing to adopt the new computerized system.

In another attempt to streamline operations through automation, the Federal-State UI system is exploring new ways to use computers to cut down on the time needed to determine whether UI applicants have worked for employers covered by UI laws long enough to be eligible for benefits. Through this project, currently underway in Arkansas, Louisiana, Mississippi, and Missouri, computer terminals are being installed in local unemployment offices throughout the States. These terminals will be connected to the central computer that keeps wage data for each covered worker in the State. By using the terminal hookup, local office personnel can instantly check applicants' employment records to see whether they qualify for benefits. The system also allows local office employers to make sure the applicant has not filed claims elsewhere in the State and to get other information about the accuracy of claims.

Currently, determinations about applicants' eligibility generally take several days because applications are mailed from the local office to the central office where computerized wage records for the State are stored. Besides speeding service to the unemployed, the use of local office terminals should reduce the staff time required to handle mail, thus freeing some UI personnel for other duties. The four-State experiment is attempting to determine the extent of such improvements and to weigh them against the cost of installing the terminals.

State Personnel Are Trained

Another effort to help State agencies improve their ability to process applications involves a program to train State personnel to determine more quickly and accurately whether new applicants meet nonmonetary eligibility requirements for UI benefits. To qualify for benefits, applicants in all States must be unemployed; they must have lost their last jobs through no fault of their own; they must be able to work and available for work; and they cannot, without good reason, refuse to accept a referral to work or to apply for a suitable job.

In the past, inadequately trained local office personnel have made errors in determining whether applicants meet these requirements. Ineligible applicants have received payments, and eligible applicants have been denied benefits to which they were entitled. Appeals procedures are available, but appeals cost time and money.

The new training program helps local personnel gather pertinent information and make better determinations. This training has been provided nationwide. Following the training, the UIS also provided all States with an evaluation program that enables State personnel to measure their performance in making nonmonetary decisions about applicants' eligibility.

Besides developing its own programs to upgrade State activities, the UIS keeps abreast of effective State innovations and passes information about these improvements on to other States. Currently, for example, the UIS is making note of the following innovations:

- Several States are using "lock boxes" as repositories for employer payroll taxes. Instead of following the usual procedure of mailing their taxes to a central collection office, employers in these States send their payments to a locked post office box. These payments are picked up directly by banks, which process the checks and provide reports about employer accounts to the State UI agencies. This procedure frees State agency personnel from the tasks of opening mail and processing and depositing checks. Taxes are also deposited faster, so tax payments earn interest for several days longer than they do under standard procedures.
- In Kansas, representatives of the telephone company have taught State UI employees how to make effective telephone calls reminding delinquent employers that their tax payments are overdue. Formerly, State personnel visited delinquent employers, but telephoning is faster and less expensive. Several other States have also recently begun to use the telephone as a collection tool.
- Some States are using microfiche to store UI records, thus eliminating the need for space-consuming paper files and the worktime required to maintain them.

Although most of its activities are geared to improving State agency operations or providing better service to the unemployed, the UIS is also interested in helping to simplify reporting procedures for employers covered by the UI program. In line with this aim, the UIS, the Social Security Administration, and the Internal Revenue Service have recently developed a single magnetic tape reporting format whereby large employers may provide the wage and employment information required by all three agencies.

Employers provide the required data directly on the tapes and make one copy for each agency. Thus they do not have to fill out three separate forms or to make paper reports of wage and tax information. The Federal agencies also benefit from this arrangement, because they no longer have to transfer information from paper reports into their computers; they simply insert the tapes.

Management Problems Remain

All these recent developments—the cost model management system, innovations in the use of computers, training programs, information gathering activities—have improved the Federal Government's ability to help States manage the overall UI system. However, many management problems remain. Currently, for example, some States are experiencing excessive delays in mailing out benefit checks, and all States have difficulty forecasting future workloads so that they can make appropriate staff and program plans.

Such problems will not be solved overnight. Taking all the "bugs" out of a system that has had 40 years to develop and become accustomed to habits that are sometimes less than efficient will require much time and effort. Nevertheless, the drive to improve the system will continue to provide the focus for Federal and State management activities as the UI program moves into its 41st year. □

Publications

Following is a selected list of publications on unemployment insurance and related matters. Single copies of Manpower Administration publications for which no price is indicated can be obtained free by contacting the Inquiries and Publications Unit, Manpower Administration, U.S. Department of Labor, Room 10225, 601 D Street, NW., Washington, D.C. 20213. For Manpower Administration publications with prices listed, write the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, and enclose payment. The Bureau of Labor Statistics publication is available from Room 1539, 441 G Street, NW., Washington, D.C. 20210. For publications of The W. E. Upjohn Institute for Employment Research, write to 300 South Westnedge Avenue, Kalamazoo, Mich. 49007.

Unemployment Insurance Statistics

Manpower Administration monthly magazine containing data collected and reported under State unemployment insurance (UI) programs and Federal programs covering Federal civilian employees and ex-servicemen. Data include benefit payment activity, employer contributions, appeals decisions, and disqualifications for selected industries and occupations.

Area Trends in Employment and Unemployment

Monthly Manpower Administration publication that classifies 150 major labor areas of the country in six labor supply categories. Carries a monthly statistical supplement providing data on work force, unemployment, and employment in these areas.

Significant Provisions of State Unemployment Insurance Laws, July 1975

A five-page ready reference of each State's unemployment insurance provisions for benefits, duration, coverage, and taxes. Revised semiannually.

Comparison of State Unemployment Insurance Laws

Manpower Administration 200-page book reports by State the types of workers and employers who are covered under State law; methods of financing the UI program; benefits that are payable; conditions to be met for payment; and administrative organizations established to do the job. While it primarily analyzes State statutes, it also notes specific statements in rules, regulations, opinions of attorneys general, or court decisions, and indicates their source. Complete document and six supplements cost $12.45 (binders not included).

Benefit Series Service—Unemployment Insurance

Manpower Administration looseleaf monthly reference service that contains administrative and court decisions on major unemployment insurance issues and related material. Useful to persons working on appeals for UI benefits and others interested in the UI program. $16.35 annually (binders not included).

Unemployment Insurance for Ex-Servicemen

Manpower Administration flyer that explains how unemployed ex-military personnel who meet certain program qualifications can get weekly income for a limited period of time.

Summary Tables of Unemployment Insurance Program Statistics, 1972

Manpower Administration publication containing 14 tables and accompanying charts that summarize the major benefit and eligibility provisions of State unemployment insurance laws and present a number of statistica measures of experience.

Unemployment Insurance: State Laws and Experience

Manpower Administration publication furnishes in map form a graphic presentation of statutory provisions of State unemployment insurance laws and some of the pertinent experiences under those provisions. Includes information on the major aspects of the UI program, such as coverage, qualifying requirements, benefit amount, benefit duration, disqualifications, and tax rates and reserves.

Unemployment Insurance for Federal Workers

Manpower Administration flyer that explains the program to provide a weekly income for a limited period of time to unemployed Federal civilian workers who qualify to help them meet basic needs while searching for employment.

PUBLICATIONS OF THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

Strengthening Unemployment Insurance: Program Improvements

Report on recommendations of the institute's UI Research Advisory Committee, May 1975. $1.

The Role of Unemployment Insurance in National Manpower Policies, Louis Levine

Examines the role of the unemployment insurance program in dealing with some of the human resource and manpower problems confronting this country during the seventies. February 1972, 37 pages. 75 cents.

The Duration of Unemployment Benefits, Merrill G. Murray

Discusses the general premises that have governed limitations on the duration of benefits and presents statistics on unemployment duration. January 1974, 80 pages. $1.50.

Entitlement to Unemployment Insurance Benefits, George S. Roche

Reviews how the several States determine who among the unemployed will be compensated for their wage losses. September 1973, 99 pages. $1.25.

Experience Rating in Unemployment Insurance: Virtue or Vice, Joseph M. Becker, S.J.

Evaluates the desirability of experience rating in the unemployment insurance system. December 1972, 94 pages. $1.25.

Public Attitudes Toward Unemployment Insurance: A Historical Account With Special Reference to Alleged Abuses, Leonard P. Adams

Traces the attitudes and opinions of various segments of the population about the unemployment insurance system as those views have evolved over the last 35 years. December 1971, 98 pages. $1.25.

Unemployment Insurance Calendar

1935—Social Security Act passed. Included framework for Federal-State UI system.
1937—All States participating in Federal-State UI system.
1937—U.S. Supreme Court upheld constitutionality of Federal-State UI system in case raised by Alabama employers.
1938—Railroad Unemployment Insurance Act separated railroad workers from Federal-State system.
1944—Servicemen's Readjustment Act included provisions for "readjustment allowances" to unemployed World War II veterans.
1946—Reconversion Unemployment Benefits for Seamen Program provided temporary benefits.
1952—Veterans' Readjustment Assistance Act provided unemployment compensation for Korean veterans.
1954—New title XV of Social Security Act provided unemployment compensation for Federal civilian employees (UCFE).
1954—Federal Unemployment Tax Act extended coverage to employees of firms employing four or more in 20 weeks after January 1, 1956.
1958—Temporary Unemployment Compensation Act extended benefits to exhaustees.
1958—Ex-Servicemen's Unemployment Compensation Act provided benefits to unemployed ex-servicemen (UCX).
1961—Temporary Extended Unemployment Compensation Act extended benefits to exhaustees.
1961—Area Redevelopment Act included occupational training and weekly payments.
1962—Manpower Development and Training Act provided vocational and on-the-job training payments.
1962—Trade Expansion Act provided assistance adjustments for workers adversely affected by trade agreements. (Strengthened in 1974 by the Trade Act.)
1968—Work Incentive (WIN) Program provided Aid for Families with Dependent Children recipients with services and training opportunities.
1969—Disaster Relief Act assisted individuals unemployed as a result of a major disaster (extended in 1974).
1970—The Employment Security Amendments extended coverage, provided permanent extended benefit program, and increased taxable wage base.
1971—Emergency Unemployment Compensation Act temporarily provided up to 13 weeks of benefits to exhaustees of regular and extended benefits. Made possible payment up to 39 weeks of benefits.
1971—U.S. Supreme Court required prompt payment after a favorable determination was made for claimant, even though an employer appeal was pending.
1973—The Comprehensive Employment and Training Act provided Federal funds to States, cities, and counties for manpower services.
1974—Special Unemployment Assistance Program created a temporary program of unemployment assistance for workers not covered by regular State or Federal law.
1974—Federal Supplemental Benefits (FSB) Program furnished up to 13 weeks of benefits to covered workers who had exhausted all other entitlements. Makes possible payment of up to 52 weeks of benefits. Terminates in 1976.
1975—Tax Reduction Act contains amendment providing for up to 13 more weeks of FSB, making possible payment of up to 65 weeks of benefits. Terminates December 31, 1976.

Making UI Better

by Saul J. Blaustein

The W. E. Upjohn Institute for Employment Research recently published recommendations for improvements in the Nation's unemployment insurance (UI) program in the areas of coverage, qualifying requirements, the weekly benefit amount, and benefit duration. A summary of those recommendations—made by the institute's Unemployment Insurance Research Advisory Committee—follows:

Coverage

Today, about 12 million wage and salary jobs—approximately 15 percent of all such jobs—are not protected by unemployment insurance. All should be protected since few, if any, jobs are absolutely secure for workers holding them.

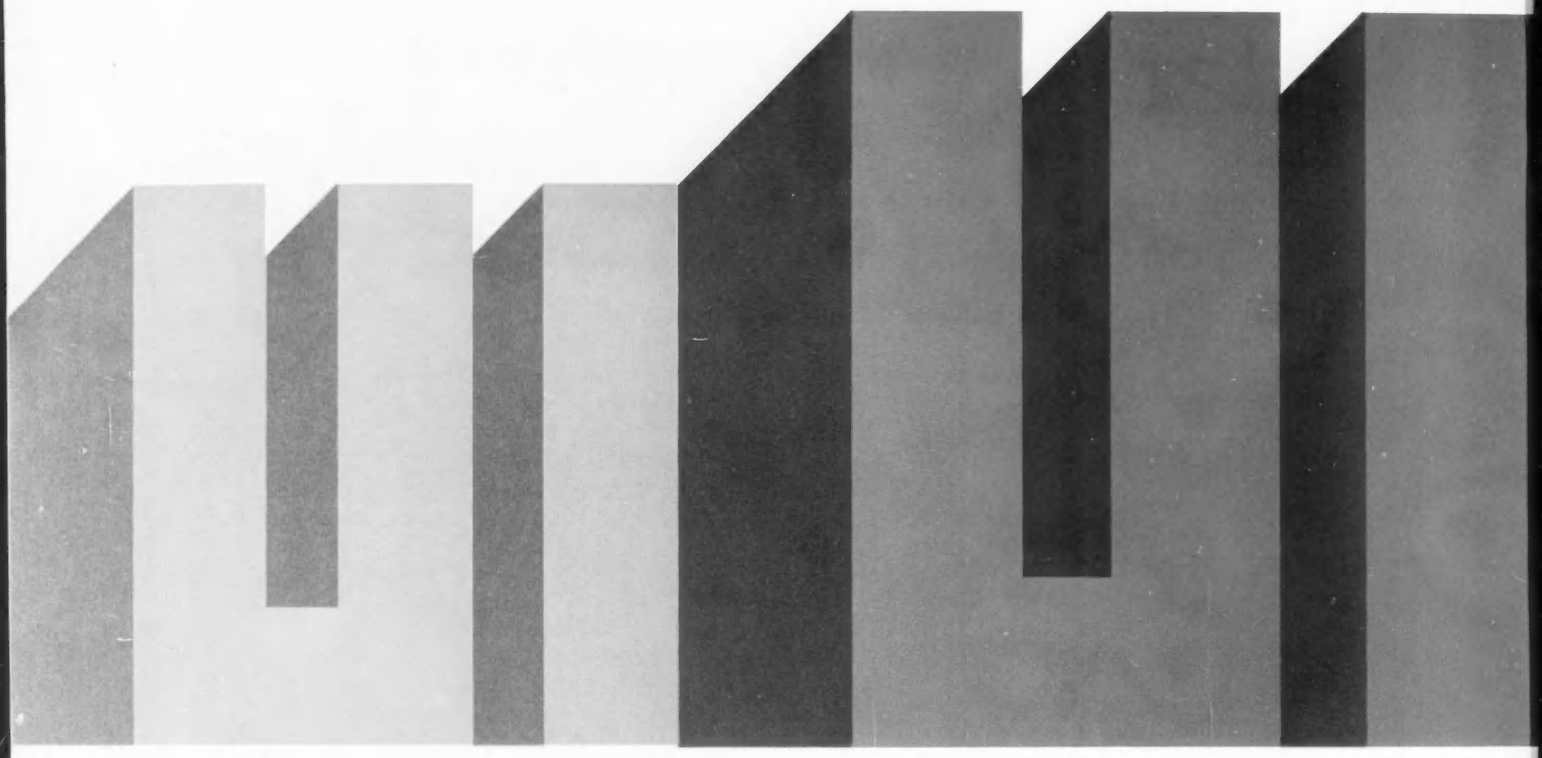
Federal legislation should require, for instance, coverage of all State and local government employment, the largest category now excluded. Federal law should also require coverage of hired farm employment performed for the larger farm employers and, as soon as feasible, of other unprotected jobs. Abundant research makes clear that there are no serious obstacles to such coverage. Not even the somewhat higher cost rates, which could easily be absorbed by the system, pose much of a problem.

Coverage should also be extended to protect at least some private household

Saul J. Blaustein is senior staff member of the W. E. Upjohn Institute for Employment Research.

The W. E. Upjohn Institute for Employment Research is a privately sponsored nonprofit research organization established in 1945. Its focus is on research into the causes and effects of unemployment and measures for the alleviation of unemployment. This article summarizes recently published recommendations by the Institute's Unemployment Insurance Research Advisory Committee. The committee consists of 11 individuals with extensive backgrounds in social insurance, welfare, manpower, or closely related fields. Members are Saul J. Blaustein, of the institute staff, chairman; Ralph Altman, Unemployment Insurance Service, Manpower Administration, U.S. Department of Labor; Joseph M. Becker, S.J., Georgetown University; Philip Booth, The University of Michigan; Eveline M. Burns, Professor Emerita, Columbia University; Curtis P. Harding, Utah Department of Employment Security; Myron L. Joseph, Carnegie-Mellon University; Merrill G. Murray, W. E. Upjohn Institute; Raymond Munts, The University of Wisconsin; James L. Robinson, U.S. Department of Health, Education, and Welfare; and George S. Roche, consultant. Complete recommendations and their discussion are published as Strengthening Unemployment Insurance: Program Improvements, *Kalamazoo, Mich., The W. E. Upjohn Institute for Employment Research, May 1975.*

Making UI Better



workers. One step should be for Federal law to require coverage of all households that pay significant wages in a calendar quarter for private household service. This would be similar to coverage now afforded in three States and the District of Columbia. The committee also urges prompt research to determine how coverage can be extended to protect day workers, who comprise most of this excluded group.

Qualifying Requirements

All States require claimants to have had a minimum amount of covered employment or earnings, or both, in the base period prior to job loss to establish insured status. While the committee recommends no Federal legislative action with regard to State qualifying requirements, it does take positions that it hopes the States will adopt.

In the opinion of the committee, for example, qualifying requirements should be in terms of weeks of employment rather than in terms of earnings, since the objective is to measure the degree of past attachment to work. Some requirements based on earnings are designed to approximate weeks worked during the base period, but they are not recommended because they often fail to achieve equivalency and because they tend to make it easier for the higher wage worker to qualify. Moreover, because of the way in which they are administered, they usually do not take account of the most recent employment and wage data.

Flat annual earnings requirements, including those that simply require a claimant to have earned wages in more than a single calendar quarter, are also inadequate for establishing insured status. The committee prefers to define weeks of work to be credited toward qualifying requirements by a minimum number of hours or days of work rather than by minimum earnings during a week. In this way, equal treatment of low- and high-wage workers will be assured.

The minimum number of weeks of work specified by qualifying requirements should be no less than 15 and no more than 20. At the same time, the committee stresses that the minimum duration of benefits provided should not be less than the number of weeks of work required to qualify.

Weekly Benefit Amount

The weekly benefit amount should protect claimants against serious erosion of their living standards, but should not be so high in relation to their wages as to seriously weaken work incentives. To achieve this objective, the committee recommends that the weekly benefit amount be at least half the claimant's prior weekly wage, up to a benefit maximum high enough to assure that fraction to at least 80 percent of all insured workers. Noting that despite two decades of urging, the States have generally failed to provide benefits at these levels, especially with regard to the maximum, the committee recom-

mends that a requirement be added to the Federal law to compel States to adopt weekly benefit provisions that satisfy these standards.

The committee also urges increased research on the adequacy of the weekly benefit amount and on the work disincentive effects of higher ratios between benefits and the wages a claimant receives. As for dependent allowances, the committee believes that they are compatible with unemployment insurance principles, but that they should be added to basic benefits that conform to the committee's recommendations concerning benefits/wages ratios and maximum weekly amounts.

Defining weekly wage loss to be compensated as a claimant's average weekly wage during the weeks employed in the base period is preferred to defining such loss as a fraction of a claimant's earnings in the previous calendar quarter in which he was most highly paid. Calculating the weekly benefit amount as a fraction of a claimant's total base-period earnings is not recommended since it offers no way of determining the actual proportion of weekly wage loss that is compensated.

Finally, weekly benefits paid to claimants who take temporary or part-time employment should be reduced by no more than two-thirds of their partial earnings, so that these claimants will be encouraged to take such work.

Duration

UI duration provisions should aim to assure benefits that will continue until suitable reemployment is found for at least 80 percent of all claimants. The committee distinguishes between "regular benefits," covering the first 26 weeks of unemployment, and "long-term benefits," covering the 27th to 39th weeks of unemployment. It does not favor payment of UI benefits past the 39th week of unemployment, but suggests instead provision of "extraordinary benefits" financed out of Federal general revenues.

The committee takes the position that while 26 weeks of regular benefit protection should be available uniformly to all eligible claimants, seasonal patterns in a State's economy may make it appropriate to vary the benefits permitted in relation to the amount of previous employment. Such State variable duration formulas should be based on weeks of work rather than on earnings.

The minimum duration of benefits should be no less than 15 and no more than 20 weeks of work (the minimum time frame recommended for qualifying), and an additional week of benefits should be payable for each additional week worked in the base period up to the 26-week maximum. Thus, those workers with 26 weeks of base-period employment would have 26 weeks of regular benefit protection. If duration is related to earnings, the total benefits payable should be no less than half of all base-period earnings up to the maximum of 26 times the weekly benefit.

For those whose unemployment exceeds 26 weeks, States should provide long-term benefits up to a 39-week maximum of regular and long-term benefits combined. Long-term protection should be available at all times and not only during periods of high unemployment. Claimants of long-term benefits should be obliged by States to undertake training or other efforts to improve reemployment potential. Refusal to do so without good cause would be grounds for disqualification.

The committee is critical of triggered extended benefit provisions—those that go into effect when specific high unemployment rates are reached—and does not recommend them. Until the States generally provide long-term benefits at all times, however, the present triggered extended benefit program should continue to at least compensate for long-term unemployment during recession periods. To encourage States to adopt long-term benefit provisions, the Federal Government should pay half the costs of such benefits.

At this stage of the UI program's development, the committee takes the position that unemployment insurance should not be the basis for income support beyond 39 weeks. If unemployment lasts that long, manpower adjustment and job creation should be emphasized. The continued payment of cash benefits alone is not enough, since very long-term unemployment is likely due to permanent or structural dislocations rather than to transitory causes.

The committee recognizes however, that in periods of severe recession, there may be a need for additional income support. It recommends, therefore, that Congress decide when such a period exists, at which time the Federal Government should provide an additional 13 weeks of extraordinary benefits for all those who exhaust their regular and long-term or extended UI benefits. Such extraordinary benefits should be financed out of Federal general revenues and should be available for unemployed workers not covered by the UI program.

National Commission

The committee, noting that no comprehensive review of the UI system has been made since it was enacted 40 years ago, recommends that a national commission be established to conduct such a review. Efforts in this direction, however, should not prevent or delay current action to strengthen existing UI programs. □

News & Notes

The Manpower Administration's National Occupational Information Service has awarded eight States grants to help them develop occupational information systems designed to help students make career choices. Grants averaging $300,000 each will go to Alabama, Colorado, Massachusetts, Michigan, Minnesota, Ohio, Washington, and Wisconsin to support State efforts to compile, analyze, and disseminate current occupational information. The systems will emphasize information about occupations important to State and local labor markets and will describe job duties; legal, educational, and training requirements for entry; current employment; job outlook; and earnings and fringe benefits. Attempts will be made to relate students' personal interests, aptitudes, and abilities to occupations. The information systems developed through the grant program will be evaluated, and the results of their operations will be used to form a technical assistance base for other States and large localities interested in developing similar systems.

* * *

Manpower Administration job experts are working with State employment security teams to determine the skills and capabilities of Vietnamese refugees at Camp Pendleton, Fort Chaffee, and Eglin Air Force Base. The aim is to assess the education, skills, and other abilities and interests of the Vietnamese who need jobs and to refer them to locations with suitable openings. Secretary of Labor John T. Dunlop emphasized that there will be no less emphasis on assisting jobless Americans because of these efforts. It is estimated that less than a third of the approximately 120,000 refugees are heads of households who will eventually need jobs.

* * *

A Collective Bargaining Committee in Construction whose goal is to further "more effective collective bargaining in the industry" has been established by an Executive order signed by President Ford. The new labor-management committee, chaired by Secretary of Labor John T. Dunlop, is composed of 10 labor and 10 management representatives appointed by the President and the director of the Federal Mediation and Conciliation Service. The committee's responsibilities include: facilitating and encouraging peaceful negotiation of collective bargaining agreements at local and area levels; helping to provide a data bank of wage and benefit information; encouraging local coordinated bargaining and larger area bargaining wherever appropriate; and resolving bargaining disputes "that cannot otherwise be reasonably resolved."

* * *

On April 30, 1975, the U.S. Department of Labor raised its income guidelines for determining whether a person is poor to reflect increases in consumer prices over the past year. Federal, State, and local manpower officials will use the new poverty-level guidelines in administering programs under the Comprehensive Employment and Training Act, which provides job and training opportunities for persons who are classified as economically disadvantaged, unemployed, or underemployed. The new poverty income level for an urban family of four is $5,050, $500 above the previous level, while the new figure for a four-person farm family is $4,300, an increase of $430. The increases reflect the rise in living costs since the last criteria were set in May 1974.

* * *

The Department of Health, Education, and Welfare's Bureau of Health Resources Development (BHRD) has awarded a $5 million contract to the Harvard University School of Public Health to develop and test a program of continuing education for the management of health service systems. Under the 5-year contract, the school will develop, test, and offer 4- to 6-week courses for health facilities managers, health planners, medical care evaluators and senior health professionals responsible for managing health service systems. Under the terms of the contract, each course will be offered at least three times a year during the last 3 years of the project. At least 100 students must be trained in each course developed.

"REBORN" IN WATTS

by Norma B. and James B. Johnstone

Ten years after the riots burned gaping holes in the Watts area of Los Angeles, the telling scars remain. Burned-out shops, boarded windows, abandoned cafes, and gutted warehouses document the damage to $40 million worth of property still largely unrepaired. But in the heart of the worst damage, in a fire-blackened warehouse nestled between two burned-out buildings, bustling cleanup activity signifies a hopeful rebirth.

Since January, this structure has been the home of the manpower division of the Watts Labor Community Action Committee (WLCAC), a nonprofit community organization that has made a habit of fostering new life in both people and places that had been given up for lost. Among the "reborn" is Richard A. McNish, WLCAC's manpower director. Self-described as a former "punk, street hustler, and proud, rebellious ex-con," McNish has dedicated his new life to serving the WLCAC and the Watts community.

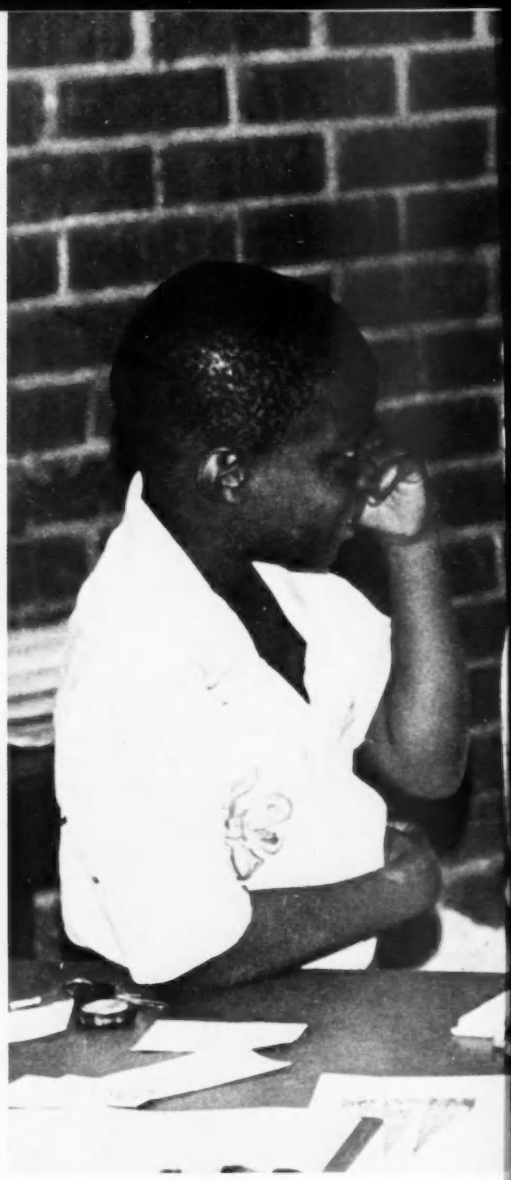
On a bright Saturday morning, McNish, 30, is supervising a team of teenagers who show boundless energy and enthusiasm—if not great organization—as they clean and paint the new headquarters. Besides overseeing the noisy activity, McNish answers frequent phone calls, fields questions from a group of young people planning one of WLCAC's many community beautification projects, and is interviewed about his life. As his attention swivels from one task to another, McNish makes his priorities clear.

"If a kid comes in here and really needs me," he says, "I would stop this interview immediately. That's my role—to deal with him. If y'all want to wait,

Norma Johnstone is a freelance writer and James Johnstone is a manpower management consultant in Los Angeles, Calif.

"REBORN"

Photos by James Johnstone



that's cool; if you don't, that's cool, too, but the kid comes first."

The interviewers waited, for McNish knows from personal experience how important it can be for a disadvantaged youngster to "come first" with a caring adult. He also knows how much a child can suffer from the lack of such concern.

McNish never knew his real parents. As a child, he was shuffled from one foster home to another, and he never felt he really belonged in any of them. He became a "problem child," a fighter and troublemaker. Told over and over again that he was going to grow up a "bum," McNish did his best to live up to that expectation. He dropped out of school and joined the U.S. Army. From there he was sent to prison for 2 years—for fighting, stealing, and going AWOL. Even as he left prison, he was considered a loser and told, "You'll be back."

Frustrating Jobhunt

Upon his release, McNish desperately wanted to get a decent job, but he had no skills and most employers wouldn't hire him after learning about his prison record. He took one menial job after another—washing dishes (the "trade" he learned in prison), washing cars, waiting on tables—all the while fighting and losing jobs.

After the 1965 riots, a number of social service agencies sprang up in Watts, and McNish made the rounds to look for a job. He struck out again; the agencies wanted experience that he didn't have. Then Ted Watkins, the founder of the WLCAC, asked McNish what he could do, and the 21-year-old gave a straight answer.

"I don't know how to do nothing," he said. "I've never been taught nothing by nobody." Then he pleaded, "Let me try to do something and let me learn as I go."

Evidently impressed by McNish's sincerity and will to learn, Watkins gave him a job. That, says McNish, was the beginning of his new life, a life that has given him a sense of belonging and purpose.

"I used to have a hangup about not having a family and then WLCAC provided me that. I've got my whole family here—brothers, sisters, mothers. WLCAC provided me a basis so I could develop my security factor, my self-respect, my relativity to religion. It was like being born again. I could scrap everything before 1966 and I would not miss anything. My life *begins* here."

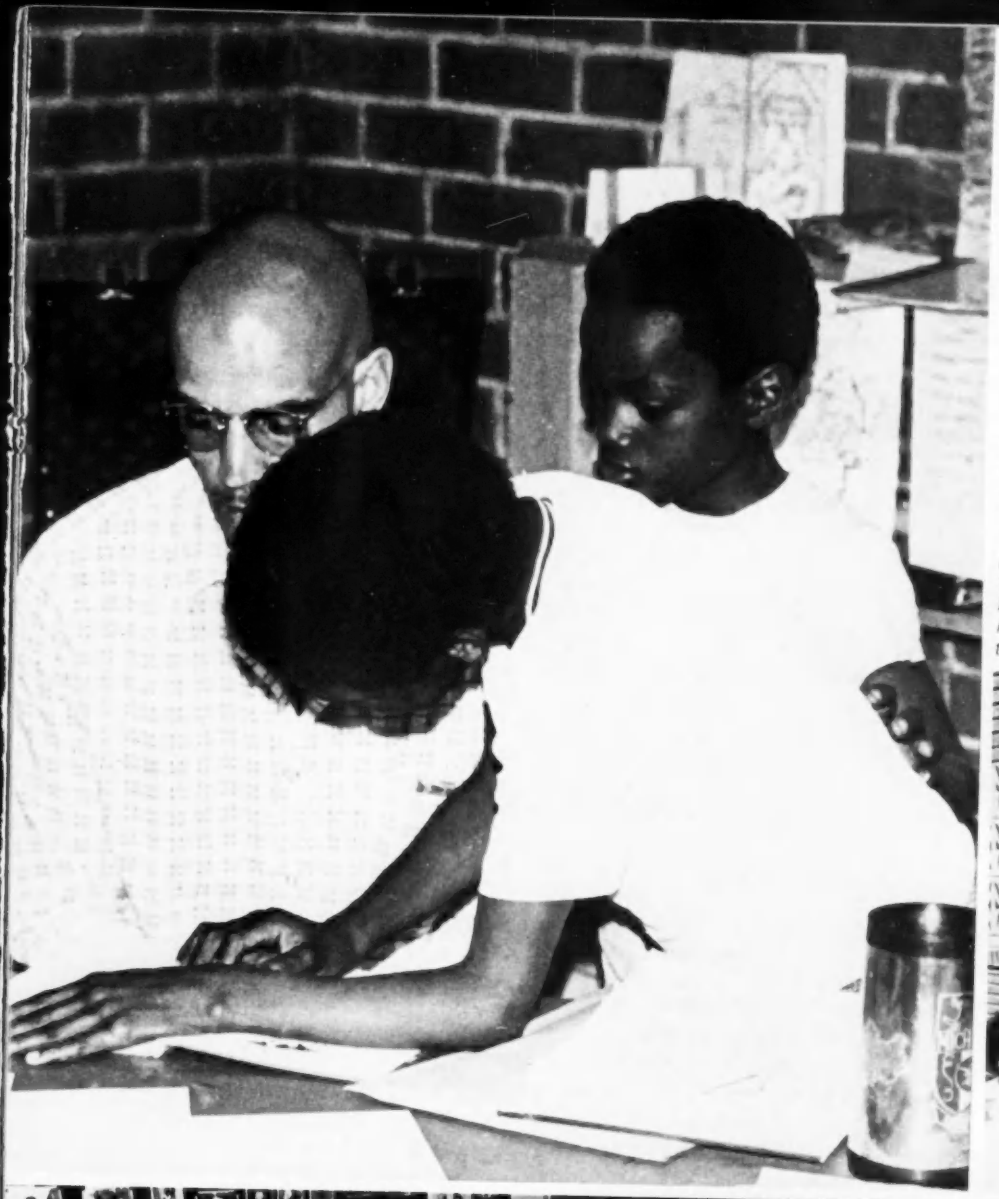
"Here," WLCAC, is a nonprofit agency which gets funds from Federal, State, and local governments, from private foundations, and from its own revenue-generating enterprises. It was founded by Watkins about 6 months before the Watts riots to help solve some of the problems of the poor and disadvantaged residents of south central Los Angeles.

Starting with a treasury of less than $10 and a staff of five volunteers, WLCAC has become one of the largest single employers in Watts. Today it has a permanent staff of over 100 people and an annual operating budget of over $5 million.

WLCAC sponsors a great diversity of programs and services. It works under the theory that no one program is any more important than any other, but that the combination of programs is needed to improve the overall quality of life in the community. Many of its youth programs grew out of experimental and demonstration projects funded by the U.S. Department of Labor's Manpower Administration.

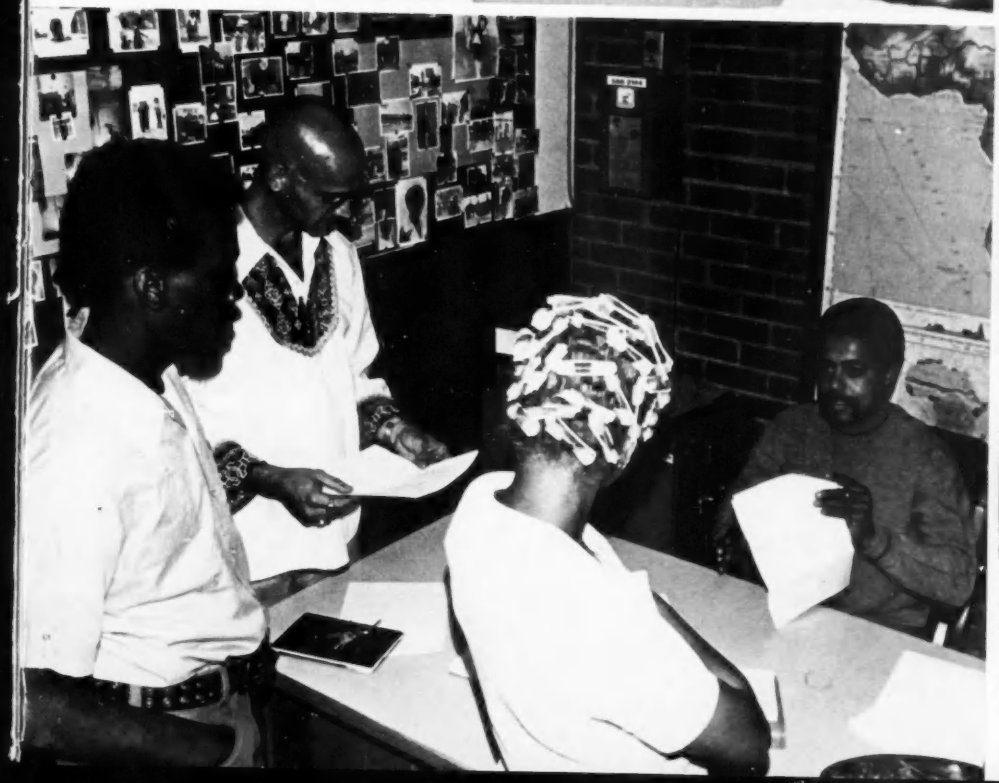
WLCAC conducts manpower training programs for youth and adults; it provides a transportation system within the community; it operates programs for senior citizens; it has constructed and now manages a small shopping center; it builds houses; it has created parks and playgrounds; it runs a supermarket, a restaurant, and service stations; and it is planning several large-scale physical development projects for the Watts area. About 1,500 trainees and youth now complete the agency's manpower programs every year, and senior citizen club memberships total over 3,000.

According to McNish, WLCAC grew because Ted Watkins--a man he now considers a "father"--and other staff members gave it an extraordinary amount of commitment, dedication, and personal sacrifice. No one demonstrates commitment and dedication better than McNish himself. In his years with the



"I love my kids." From the rapt looks on the faces of some of the neighborhood kids who frequently drop by after school, it's obvious that the feeling is mutual.

McNish poses with some of his NYC enrollees. They frequently stop in to talk with him because they know he cares. He believes it is his duty to build up their hopes and to try to help them accomplish their desires.



"Someone's in the kitchen . . ." Clayton Peters, cook, stirs chow mein, while Theodore Soles, chief cook, stands by. Both are WLCAC placements.

McNish and youth counselor Jack Norris discuss paycheck problems with NYC enrollees.

"REBORN"

Happiness is a successful placement. Sharon Smith has just informed McNish that she has been hired as an insurance clerk.

agency, he has worked hard to learn how to manage community service programs and to translate that knowledge into effective action.

When McNish joined WLCAC, he decided he would like to work with teenagers; he wanted to give them opportunities he had never had and to prevent them from getting into the kinds of trouble he had known. Only slightly older than the youth he was trying to help, however, he initially felt he was in over his head.

Learning on the Job

"I started working with these kids," he says, "and a lot of them had the same problems I had. A lot of them had even *worse* problems, but I was in a position where they were coming to me and asking for help. A lot of times I would go home and I would be so scared and worried because I didn't know how to help them. I couldn't even help myself when I had the same problems, but they were depending on *me* for help."

He continues, "At that time, black history, black pride, quality services, high level things that I wasn't equipped to deal with intellectually came into being. So I read, I studied, I attended community meetings, I haunted libraries—all with the intent of making myself knowledgeable and able to cope with these kids' problems. The more I didn't know, the more I began to look around trying to find out things."

As McNish learned, he began to take a closer look at the youth programs offered by his own agency. At that time, WLCAC sponsored a Neighborhood Youth Corps in-school program which served 14- and 15-year-old youth, but no programs were available for older youngsters who were still in school.

"The in-school program was a beautiful concept, but I said, 'Why in hell are we dropping the kids out at 16? That's when they most need us.' They were being turned out to the street corners with no chance of getting jobs. They were running in gangs, stealing, fighting, hell-bent on self-destruction."

McNish helped to fill the program gap by initiating a Community Elite Corps designed to teach leadership and community service to 50 boys 16 and over. These teenagers helped operate and support WLCAC's community service programs, received remedial tutoring and other academic instruction, formed a marching unit, and were exposed to concerts and other unfamiliar experiences designed to broaden their horizons and spur them to become achievement oriented.

Following the example of Ted Watkins, McNish has become a supportive "father" to the youth with whom he works. Remembering the pain of being told he was going to be a "bum," he makes it a rule to foster the hopes of WLCAC enrollees and to help them develop and reach their goals.

"If a kid wants to become a doctor or architect," he believes, "I have no right to play that off like it's nothing because if that's what he wants to be and I'm a community servant, then my role is to help him be that. I don't have the money to pay his way through school myself, but I've got contacts and I can help him get into school. I can motivate him and encourage him and I can reinforce his hopes.

"Too many times a teacher will say, 'You can't be that because your education isn't good enough' when they should be saying 'That's good man. What can we do to help you?' I know I never got this and I make damn sure that's what these kids get."

McNish also does his best to protect

the youth enrolled in WLCAC programs from the teenage gangs that roam the area and occasionally cause trouble at the agency. "These are our kids and no one, but no one, comes in to terrorize them," McNish says firmly. "We protect our facility and we protect our kids. If it comes to boxing or just standing there—that's what we do."

He recalls a time when "some kid from one of the gangs came in and was slapping one of my enrollees around. I told him that that stuff was out and he better not slap her again. He started to hit her again, so I slapped him out the door." Gang members have threatened to beat or kill McNish for such actions but have not carried out their threats.

High Expectations

At times a stern "father," McNish expects "his kids" to toe the line when it comes to obeying WLCAC rules, showing up for training programs regularly and on time, and following through on their promises and commitments. Having learned the rewards of self-discipline after he joined the WLCAC, he attempts to pass this information on.

McNish demands the youthful enrollees' best efforts, and he demands the same from his staff. He is also more than willing to act as a good role model by working long and hard himself.

"I learned by first-hand experience from Mr.Watkins that you have to practice what you preach," he says. "If you talk dedication, or 24-hour commitment, you can talk it all day long, but if you're only here until 5 o'clock and you come in at 9 or 9:30 the next day, people are going to stop hearing you. But if you *demonstrate* and you *show* and you actually *live* what you say, then you're inspirational and you serve as a guide for other people."

WLCAC staff members respect McNish for "practicing what he preaches." Says Gene Jackson, the agency's youth programs coordinator, "He's a workhorse, but he's a hell of a person. He is constantly moving and trying to seek those things to help the people of the community."

Ted Watkins says McNish is "one of the most dedicated and committed men I have run into for a long time. I've been around him for the last 9 years and he has always given his best. For the past 6 years, I have depended a great deal on him and given him more responsibility, and he hasn't let me down yet."

The commitment, dedication, and responsibility on which McNish seems to thrive are not limited to his WLCAC duties. In his "free" time, McNish and his wife have begun Mary Manor Family Circle, a live-in board and care facility for elderly community residents. The project stems from the couple's concern about the older members of their Watts family.

"We cast our old aside," McNish says. "No one wants to bother with them. No one wants to deal with an old lady or old man who has trouble walking or spilling food on himself. No one wants to deal with that. It's embarrassing."

With the certainty that comes from personal experience, McNish adds, "All people need to feel a part of something, to be loved."

The elderly who live at Mary Manor Family Circle—named after Mary, whom Richard married after meeting and working with her at WLCAC—share meals, hopes, problems, and leisure activities. The biracial home is small and warm, offering quality care in a setting that bears the unmistakable feel of a loving family's home.

Mary McNish has worked in other board and care facilities, and her experience has enabled the couple to create a top-quality facility. A member of the Los Angeles city council has nominated Mary Manor Family Circle to serve as a model for board and care facilities in the area, and elderly Watts residents have been eager to move in. Spurred by the success of Family Circle, the McNishes recently opened another board and care facility, and they have long-term plans to establish 11 other homes throughout the community.

More Energy to Serve

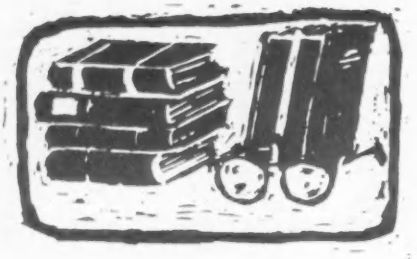
Although his duties at the WLCAC and Mary Manor Family Circle keep McNish busy, he has not yet run out of the energy to serve. His latest goal is to start a juvenile home. "I want the kids who have been cast off by society or kicked out of schools that don't know how to handle them. These are the kids who really need help. They need to be shown that a person who is weak is someone who needs help, not someone who is a 'mark.' "

McNish pursues his commitment to both young and old members of his Watts "family" with the zeal of a missionary, and his references to being "reborn" strike a Biblical chord. His actions, however, are based not on dogma or theory but on the needs of the here and now.

"I'm not a Bible-banger," he emphasizes. "I don't even go to church, but I do God's work right here and on the streets. The Bible talks about holy guys and how you're supposed to be good to God's children and serve God's children. Well, God's children is *everybody*, and these people in this community are part of everybody. As long as I'm living, I'm going to serve my people."

McNish adds a thought that his actions make obvious: "My work is not a job for me; it's a way of life." □

Book Reviews



An Important "How To" Book

How to Collect Unemployment Benefits

by Raymond Avrutis

Schocken Books, New York, 1975. 111 pages plus charts. $1.25.

At a time when unemployment is taking center stage in national concern, Raymond Avrutis has written the first "how to" book on unemployment insurance (UI). The book takes the prospective UI claimant on a guided tour through the complexities of filing for and collecting weekly UI benefit checks. What may seem like a maze when encountered by the unemployed worker for the first time becomes much clearer when Avrutis' tour has been completed.

The book deals with coverage, disqualifications, appeals, and the computation of benefits. There is also a section that provides the claimant with appropriate questions to ask at the claims office. These questions are designed to penetrate the UI language barrier.

The UI system is, in one sense, a combination of 55 different programs: 52 State UI programs, two Federal programs (one for ex-servicemen and another for civilian employees), and a program for railroad workers. In view of the many differences among these programs, any attempt to condense the programs and make them reasonably understandable to the layman calls for herculean effort. Avrutis, in this reviewer's opinion, has made such an effort and has succeeded remarkably well.

The phrase on the cover of his book—"You worked for it—now collect it!"—captures the essence of the UI program as conceived by its originators and enacted in the Social Security Act of 1935. The characteristic of earned right distinguishes UI from programs requiring a "needs" test. Throughout his small volume of 111 pages, the author translates the complexities of varying State qualifying requirements, benefit formulas, and nonmonetary qualifications for benefits into simple, straightforward English. This reviewer has not read a UI volume so small in size that contains so much usable information for workers (both employed and unemployed), employers, the general public, and those administering the UI program.

This book is a valuable tool for unemployed workers to learn about their rights and responsibilities and about the process for exercising their earned rights. Many unemployed persons who are fully entitled to UI benefits do not claim them, and this has been true ever since the program's enactment 40 years ago. Avrutis' book should help to eliminate some of the ignorance about the UI program.

Roger A. Rossi

Alive and Kicking

Urban Economic Development: Suburbanization, Minority Opportunity, and the Condition of the Central City

by Bennett Harrison

The Urban Institute, Washington, D.C., 1974. 200 pages. $10; $4.50 (paperback).

Urban Economic Development is a comprehensive examination of the recent literature on the outward movement of employment and population in metropolitan areas, as well as an analysis of the implications of this decentralization for the economic welfare of minority groups.

The author challenges the contention of many researchers (notably economist John Kain) that large central cities are losing employment, both relatively and absolutely, and that "this process is, if anything, accelerating." While jobs did decentralize during the fifties and early sixties, Harrison cites several studies which indicate that, beginning in 1963, employment in central cities began to increase, and that this job growth accelerated during the period 1963-67.

Harrison sees no continuous trend in recent changes in central city employment; rather, he stresses the sensitivity of central city job growth to the business cycle. Unfortunately, the author's analysis of the data does not extend into the 1970's. It remains to be seen, for example, whether the job losses experienced by New York City during the past several years are of a cyclical nature or part of a long-term trend.

Harrison also discusses the effects of urban characteristics such as age and size on the rate of job decentralization. However, he fails to consider the influence of another factor that many economists regard as a prime determinant of the rate of job dispersal—that is, the nature of a city's industry "mix." As Wilbur Thompson has written, "Centrifugal forces would seem destined to prevail over centripetal ones in heavy manufacturing areas," while "one can be much more sanguine about the outlook for the conventional downtown in cities that specialize in commerce, finance, and/or government."

Citing impressive evidence, the author rebuts much of the "conventional wisdom" concerning recent economic trends in metropolitan areas. In contrast to the common assumption that jobs have been decentralizing faster than population, Harrison cites studies showing not only that the ratio of jobs to residents is higher in central cities than in their suburbs, but also that the ratios for central cities have risen in recent years. He also cites research which reveals that employment growth and decline in stationary plants play a greater role in job decentralization than does the relocation of plants.

Using data from a study by Charlotte Fremon, Harrison attempts to refute the "mismatch hypothesis" that low-skilled jobs are suburbanizing most rapidly and that unskilled minority workers who remain in central cities are at a disadvantage in competing with suburbanites for the higher skilled types of employment which are growing in the central cities. Harrison also employs data from a 1966 Office of Economic Opportunity survey to challenge the view that blacks living in the suburbs fare better economically than do those in the central cities.

On the basis of his analysis, Harrison maintains that an effective policy for dealing with urban poverty should be based on public investment in the central city. He differs sharply with John Kain's argument that ghetto redevelopment would be self-defeating, and with Andrew Brimmer's contention that ghetto investment is inefficient and socially wasteful. Harrison also cites data which refute the argument that there is a shortage of vacant and "buildable" land in central cities. Among his suggestions are greater use of "three-dimensional urban space" and public ownership and allocation of urban land.

While the subject of this book is one of widespread interest, Harrison's diagrammatic presentation of "quantized priority planning models," his criticism of John Kain's regression analysis, and his extensive footnotes are not likely to appeal to the general reader. This insightful and provocative work rates a central location, however, in the library of any serious student of urban economics. The book is especially useful because much of the literature it surveys is unpublished. "The research agenda for urban economists is rich and exciting," Harrison writes, and the greatest value of his book may be as a stimulus for further research on the economic viability of the central city.

Edward Steinberg

The Reviewers

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Words & Figures

STATE INSURED UNEMPLOYMENT, 1973-75

In the year and a half prior to April 1975, the State monthly insured unemployment rate ranged from a low of 2.1 percent to a high of 7.8 percent. This wide fluctuation reflects the major economic changes that have taken place in the past 2 years.

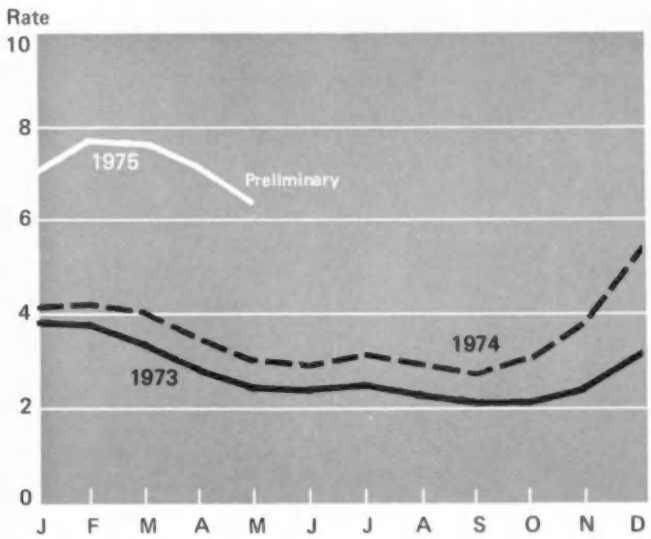
Unemployment was relatively low in 1973, and in September and October of that year, the State insured unemployment rate dipped to 2.1 percent, the lowest since November 1969. For 1973 as a whole, the rate was 2.7 percent.

In 1974, unemployment began an unprecedented rise, and the insured unemployment rate also moved up. In February 1975, the insured unemployment rate reached 7.8 percent. This was a high for the 1970's but was considerably below the record set in February 1961, when the rate reached 8.4 percent, the highest it has been in the 40-year history of the unemployment insurance program. The unadjusted rate declined in March and April of 1975, the latest months for which statistics were available at press time. However, the State insured unemployment rate for the year 1975 is expected to be 6.1 percent, considerably higher than the 3.5-percent average recorded in 1974.

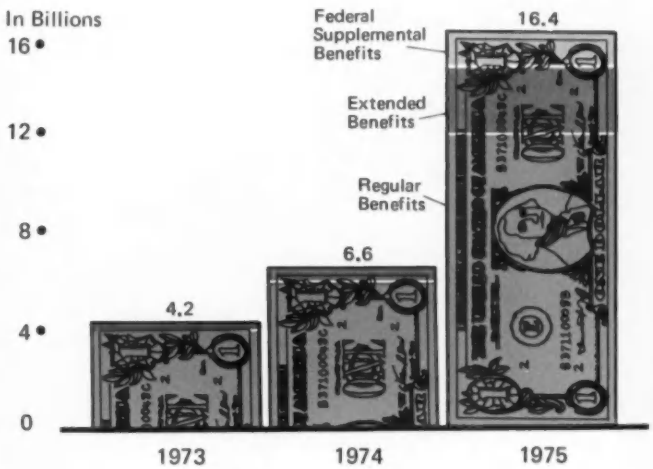
In line with the rise in insured unemployment, the total amount paid in unemployment insurance benefits has risen dramatically in the past 2 years. In 1973, payments totaled $4.2 billion—$4.1 billion for regular State benefits and $0.1 billion for extended benefits to workers who had exhausted regular State benefits.

In 1974, benefit payments totaled about $6.6 billion, and in 1975, they are expected to reach $19 billion. Of this amount, $3.2 billion will be in the form of extended benefits, and another $1.8 billion will go for Federal supplemental benefits, payments authorized by a temporary Federal program that provides benefits for persons who are still jobless when their extended benefits are exhausted. (These figures do not include payments made under the Special Unemployment Assistance Program, a temporary program of unemployment assistance to workers not covered by regular State or Federal law, or to benefits for ex-military personnel and others covered under Federal unemployment insurance programs.)

Insured Unemployment Rates Under State Programs, 1973 - 75



Unemployment Benefits Have Increased Dramatically Since 1973 – (Excludes Supplemental Unemployment Assistance)



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During its 40 years of operation, the Federal-State unemployment insurance program has become a mammoth and intricate operation covering some 68 million workers. Keeping this program moving promptly, correctly, and at the most effective costs is a major management challenge. For a report on innovative tools and techniques designed to meet this challenge, see *Behind the Lines* beginning on page 14 of this issue.

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